

FINANCIAL TIMES

World News

Business Summary

Labour votes today over Israeli coalition

Israel's Labour Party is expected to vote today on whether to leave a coalition with the right-wing Likud bloc.

Israeli police were deployed throughout Jerusalem in anticipation of a possible outbreak of violence as Palestinians in the occupied territories staged a strike to mark the 20th month of their uprising.

Bhutto N-pledge

Prime Minister Benazir Bhutto denied Pakistan was building a nuclear bomb and pledged to work for nuclear non-proliferation with India.

Italian solution

Veteran Christian Democrat Giulio Andreotti, who has already served as Italy's Prime Minister five times, agreed to try to break the country's bitter political stalemate and form a new government.

Syrian blockade

Syrian gunboats blockading Lebanon's Christian enclave intercepted a yacht in a further tightening of the siege as Shi'ah Muslim militiamen fought with rockets and machine guns in Beirut.

Greek confidence

Greece's conservative communist coalition won its first confidence vote in parliament, clearing the way for the re-election of former Prime Minister Andreas Papandreu and other defeated socialists.

Iranian candidates

Iran named parliamentary speaker Ali Akbar Hashemi Rafsanjani and a former minister, Abbas Salsbilad, to stand for president.

Zambia protests

Zambian police fired teargas to disperse youths who looted shops and stoned cars in the copperbelt town of Mulungu in the second day of protests against food price rises.

Serbs stage rally

A Serbian festival in Croatia yesterday turned into a protest by tens of thousands of Serbs over ethnic discrimination, sparking tensions between Yugoslavia's two largest nationalities.

Asean disagreement

Australia and the European Community exchanged strong words after the EC failed to be an observer in a proposed group for Pacific regional co-operation.

80 hurt in bull run

Eighty people were injured at the Pamplona bull run where Spaniards celebrate the country's wildest fiesta by racing bulls through the streets.

Airbus row diffused

A dispute between the US and the European Community over government subsidies to Airbus Industrie entered a calmer phase in two days of talks in Geneva.

Aquino in Germany

Philippines President Corason Aquino arrived in West Germany at the start of a tour to encourage a greater European role in the development of the Philippines.

Argentine pledge

The Government of President Carlos Menem, promising "major surgery, without anaesthetic", was to announce harsh austerity measures last night to combat Argentina's worst economic crisis.

Japanese storm

A leading member of Japan's ruling Liberal Democratic Party caused a storm in the country's national election campaign by declaring that "women are useless in the world of politics."

Wimbledon double

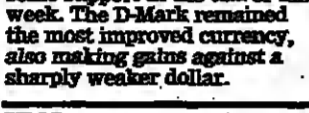
West Germans won both singles titles at Wimbledon. Steffi Graf repeated her 1988 final win over Martina Navratilova (US), 6-2 6-1 and Boris Becker, who was champion in 1985 and 1986, beat holder Stefan Edberg 6-0 7-6 6-4.

BAe seeks approval to sell 50 Hawk jets to Iraq

BRITISH Aerospace, UK aircraft manufacturer, is seeking government approval to sell 50 or more Hawk jet trainers to Iraq in a deal worth hundreds of millions of pounds.

EUROPEAN Monetary System: The Spanish peseta was the only currency that showed any real change in the EMS last week, losing further ground. However, an increase in the Bank of Spain's money market intervention rate provided some support at the end of the week.

EMS July 7, 1989



ECU DIVERGENCE July 7, 1989



KEY

The chart shows the two constraints on European Monetary System rates: The upper grid, based on the weakest currency in the system, defines the cross-line from which no currency (except the lira) may move more than 2 1/2 per cent.

UK ECONOMY is heading for a 'soft landing'

UK ECONOMIC activity is heading for a 'soft landing' in 1990, say leading forecasters.

UNITED RESCUEES chairman Sir Hector Laing said he did not believe a takeover bid for the company was being planned.

UK PHARMACEUTICAL industry says it faces a deepening crisis as it attempts to recruit graduate scientists.

ALLIED IRISH Banks has launched a \$150m issue of 6m perpetual non-cumulative preference shares in the US domestic market.

YUKENS, the Montreal engineering group founded as a subsidiary of the British Vickers company in 1911, is to close with the loss of about 400 jobs.

HONG KONG'S Century City group, the property, hotels and investment empire controlled by Lo Yuk Sui, local entrepreneur, is to move five quoted units to Bermuda.

LUCAS Automotive, UK vehicle components division of Lucas Industries, is planning a more than five-fold increase in production capacity.

RACAL Electronics, UK electronics group, has sold Gipsen & Steinhilber, the Dutch-based office furniture subsidiary.

NATIONWIDE ANGLIA, UK building society, claims house prices rose markedly in the north of England and in Northern Ireland.

HIGH costs may push down the value of British nuclear power plant, which new figures given to the Government suggest is over-valued.

FITZGERALD, Scottish oil investment company, is purchasing the US oil and gas assets of Seabank Oil International.

GATEWAY, third largest UK retail chain, is set to be sold this week when shareholders decide between rival bids from rival US and UK companies.

Botha-Mandela meeting sparks mixed reaction in South Africa

By Anthony Robinson in Johannesburg

PRESIDENT FW Botha's unexpected meeting with Mr Nelson Mandela, the jailed African National Congress leader, disclosed over the weekend, provoked a mixed reaction in South Africa yesterday from black and white politicians.

The move, which took most officials of the ruling National Party by surprise, could boost the far-right Conservative Party and prove an unpredictable element in the preparations for the country's general election on September 6. Last Wednesday's meeting, not revealed until Saturday, dramatically illustrated Mr Botha's determination to influence developments in South Africa, seemingly without concern for the impact it could have on his party's electoral prospects.

It was welcomed by leaders of the "liberal left" opposition Democratic Party as "an important step towards restoring rationality to the political scene."

The meeting was castigated, however, by Conservative Party spokesmen who saw the decision as another example of Mr Botha's arbitrary exercise of power and a further indication of what it calls the National Party's slide towards black majority rule.

Support came from Chief Mangosuthu Buthe, the Zulu leader, who hailed the event as "an epoch-making meeting between two sons of Africa". But the Mandela family and several black community leaders downplayed the significance of Mr Mandela's "meeting with his jailers."

The meeting between Mr Botha and the man who, during his 27 years in jail, has risen to status as the worldwide symbol of the struggle against apartheid, took place at the President's official Cape Town residence.

Botha met Mr Nelson Mandela informally on July 5, when the latter paid a courtesy visit on the State President.

The statement said "no policy matters were discussed and no negotiations conducted," but added that both men "availed themselves of the opportunity to confirm their support for peaceful development in South Africa."

The meeting was widely seen as preliminary to the eventual release of Mr Mandela, although until recently the Government insisted Mr Mandela and other jailed leaders would have to formally forswear violence as a precondition for their release.

But on April 17 Mr Botha signalled in a speech to parliament that Mr Mandela and others could be released if they were "prepared to contribute to a peaceful settlement of South Africa's future."

The decision to play host to Mr Mandela is understood to have been a personal decision by the President, who no longer holds a party position but still wields executive powers granted to the state President under the 1984 constitution.

BUSH FLIES TO POLAND • G7 MEETING ALSO TO FOCUS ON ENVIRONMENT

Paris summit expected to back East Europe reform

By Peter Riddell, US Editor, in Washington

THE PARIS SUMMIT meeting of the Group of Seven leading industrial nations later this week will issue a ringing endorsement of moves towards reform in Poland and Hungary and will commit themselves to wide-ranging action to safeguard the environment, according to early drafts of the G7 communiqué.

As President George Bush flew to Warsaw yesterday to begin his second European visit in six weeks, the indications from senior officials involved in summit preparations were that there would be little new on macro-economic policy in the communiqué.

More than a third of the current draft covers the environment, expected to be a major theme of the discussions between the leaders of the US, Japan, West Germany, France, Britain, Italy and Canada, as well as Mr Jacques Delors, President of the European Commission.

issues such as Eastern Europe and China, as well as Third World debt problems and trade.

After his visits to Poland and Hungary early this week, President Bush and President Francois Mitterrand, who has also recently been to Warsaw, will seek the backing of the other heads of government for a strong statement of support for reform in Eastern Europe.

The lengthy environment section of the communiqué apparently argues that "decisive action is urgently needed to understand and protect the earth's ecological balance."

There will also be considerable emphasis on political changes in the climate.

In a pre-summit briefing, Mr William Reilly, head of the American Environmental Protection Agency, said the US wanted a commitment to international co-operation on the environment, embracing not only the summit seven but also Third World countries such as Brazil, India and China, whose industrial expansion could have a big impact on these problems.

For example, the communiqué will argue that both industrialised and developing countries have a duty to protect the long-term future of tropical rain forests. To this end the Japanese Government is believed to be considering a spin proposal to assist in tree-planting programmes in countries which have suffered deforestation.

The main thrust of the draft is to support or reinforce existing steps towards dealing with environmental problems rather than to propose new initiatives.

Mexico close to deal with leading bank creditors

By Stephen Fidler, Euromarkets Correspondent, in London

MEXICO and its 15 leading commercial bank creditors said at the weekend they were close to an agreement in principle on a new financial package for the country.

In a joint statement issued in New York, Mr William Rhodes of Citicorp and Mr Angel Garcia, the chief Mexican negotiator, said they had made substantial progress on the deal.

If approved, the package would provide Mexico with financial benefits of more than \$3bn annually, the statement said. Work on the agreement would be continued in talks reopening today.

The chairman of most of Mexico's leading creditor banks met for four days last week in New York in an attempt to reach an agreement on reducing Mexico's \$100bn debt burden.

Banks are under intense pressure to reach agreement from the US Administration and other governments eager to hold out a success for a new international debt strategy ahead of this week's Paris summit.

The agreement between Mexico and its banks is regarded as likely to provide a blueprint for a debt strategy announced in March by Mr Nicholas Brady, the US Treasury Secretary.

Bankers said the agreement was likely to include an option to cut bank debt by an average of 35 per cent.

According to bankers, the proposals would enable banks to choose from a menu of three options to help Mexico. They affect \$54bn of medium and long term bank debt, \$88bn of

which was lent before 1982. Banks could swap loans for bonds with a below par face value, at an average discount of 35 per cent; exchange loans for bonds with below market interest rates, averaging 6.25 per cent; or make new loans equivalent to 8 per cent over a bank's exposure annually over three years, or 6.25 per cent annually over four years.

The newly formed Party of the Democratic Revolution (PRD), and the long-ruling Institutional Revolutionary Party (PRI) both claim to have won a majority of 18 state congressional seats contested for in the July 2 ballot.

Political passions were high in ahead of the disclosure of official results. Each of the parties accuses its opponent of election irregularities, including vote-tampering and theft of ballot boxes.

Mexico election results awaited, Page 4

G7 locks horns with la Revolution

By George Graham in Paris

IT HAS BEEN a miserable year for Parisians; many of their favourite monuments closed for repair and restoration, interminable intellectual debates over the true meaning of the French Revolution, the sight of endless queues of tourists waiting to see the Louvre's new exhibition.

The misery is not over. This week, leading up to the Bastille Day festivities and the summit meeting of the seven leading industrial nations next Friday, threatens to cap it all, with traffic restrictions, crowd barriers and an estimated 3m tourists.

Yet the first glimmers of hope have appeared. The section of the communiqué apparently argues that "decisive action is urgently needed to understand and protect the earth's ecological balance."

The section also stresses the concern caused by depletion of the ozone layer and the threat to the environment.

The inaugural concert on Thursday evening for the new Bastille Opera, with Mr Georges Frere on the conductor's rostrum, will be equally private, although it will be broadcast later on French television. The main worry of the organisers is whether they will be able to pack the heads of state off before the streets are handed over to the people for

Continued on Page 12

Siemens still keen to purchase Plessey despite talks failure

By Haig Simonian in Istanbul

SIEMENS, West Germany's biggest electronics and electrical conglomerate, remains keen to buy Plessey, the UK electronics group, despite the breakdown last week of compromise talks between Plessey and GEC, the British engineering and electronics group and Siemens' bid partner.

Mr Karlheinz Kaske, Siemens' chief executive, at a press conference in Istanbul said the GEC-Plessey talks had collapsed because Plessey's offer to sell its stakes in the GPT telecommunications joint venture had been "inadequate."

GEC and Siemens wanted more than just GPT, but "Plessey was not ready for that," he said.

In London, GEC remained confident that it would receive this week from Britain's Ministry of Defence a draft copy of the undertakings which the company will have to accept before being allowed to launch a new bid.

These undertakings concern matters of security and competition which the British Government is eager to enforce.

Contrary to earlier impressions, Mr Kaske emphasised that Siemens was interested in more than just Plessey's telecommunications business.

"You know there are other activities which are especially interesting," he said.

Mr Kaske identified Plessey's semi-conductors business as a particularly appealing prospect for Siemens in view of current demand patterns for semi-conductors.

With Britain poised to overtake West Germany in semi-conductor demand, "it's very important for Siemens to have a strategic leg in this area in the UK," he said.

On the surface, Siemens appears to have staked its bets on a successful conclusion of the current talks with the Ministry of Defence. "The form of the undertakings is decisive in whether we take up our offer again or not," said Karl-Hermann Baumstark, Siemens' director of finance.

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OVERSEAS NEWS

UK clearance sought for jet sale to Iraqis

By Andrew Gowers

BRITISH Aerospace is seeking approval from the UK government to sell 50 or more Hawk jet trainers to Iraq.

Since 1984, British companies have been formally prohibited under government guidelines from supplying equipment to Iran or Iraq which would prolong or exacerbate the conflict.

Bush bids to go one up on Gorbachev

The US President is counting on a successful Polish visit, writes Christopher Bobinski

A WOMAN stood outside the US Consular Section in Warsaw yesterday, holding a dog-eared exercise book in which she jots down the names of people who turn up every day requesting visas.



A Solidarity supporter in Warsaw places leaflets publicising President Bush's visit

The enormous queue outside the consulate is one of the few places in the bustling capital where you can feel the excitement about the three-day visit to Poland by President George Bush, who was due to arrive last night.

Take the man from Bialystok, who had just arrived in town. He had his name written in the book somewhere around the 5,000 mark. He should get into the building if he turns up again in two weeks' time.

Indeed, a real effort has been mounted by the Americans to get the Polish Solidarity opposition and their supporters on the streets to cheer him on. And an advertisement has been running in the opposition Gazeta Wyborcza detailing the times and places of the President's appearances.

PRESIDENT Bush, in a statement prepared for his visit to Poland, said its democratic changes were an inspiration to the world.

At the end of last week, Mr Gorbachev and Mr Walesa both said on separate occasions that they would be happy to meet. If the two men do establish an understanding, Solidarity will be in a position to move into government and proceed with reforms.

In the meantime, stacks of modern telecommunications equipment has arrived in town to relay the President's speeches back to the US. It is more than a Polish telephone engineer can hope to see eyes on in his entire working life.

Warsaw Pact summit finds a fragile unity

THE seven Warsaw Pact nations barely managed to paper over the growing cracks between their reforming and hardline leaderships at the group's summit, which ended on Saturday in Bucharest, writes Leslie Collett.

The summit was compounded by a sudden session of talks held by the Romanian and Hungarian Party leaders, in which both sides accused each other of acting in bad faith.

to reduce sharply troop levels and conventional weapons were also welcomed. But, more significantly, the final document set down the right of each state to choose its own political system without external interference.

President Gorbachev praised the open atmosphere at the summit and suggested the alliance could one day shed its military importance, according to remarks carried by Tass yesterday.

A multi-party system. The bitterness was no less evident in talks between Mr Reszai Nyers, head of the four-man Hungarian Party presidency, and President Nicolae Ceausescu.

Table with 5 columns: Country, Year, % change over previous year. Rows include US, Japan, UK, West Germany, Netherlands, France, Italy.

Papandreou main target of inquiry

GREECE'S new coalition government has singled out Mr Andreas Papandreou, the former Socialist Prime Minister, as the main target of its criminal investigations.

The 'Wolf' finds power within his clutches

MR Giallo Andreotti, Italy's most durable man of government who is also known as 'the Wolf' and 'Beccacecchi', yesterday agreed to try to form the 49th coalition government since the founding of the Republic.



Giallo Andreotti leaves President Cossiga's office

he was undermined by his then party leader, Mr Ciriaco De Mita, who resigned as prime minister in May after 13 months in office.

Blocked Mr De Mita's path are now meeting in front of him. Above all, Mr Craxi is softening his demands for a public repudiation by the Republicans and Liberals of their attempt to form an alliance with the Radicals, led by the violently anti-Craxi Mr Marco Pannella.

Zhivkov's son wins promotion

THE Bulgarian Communist Party has nominated Mr Vladimir Zhivkov, the 36-year-old son of President Todor Zhivkov, the party leader, to head the new department of Culture in the central committee.

Two candidates for Tehran election

IRAN yesterday named two candidates to stand for president on July 29, but Western analysts ruled out as ineffective the challenge to the front-runner Ali Akbar Hashemi Rafsanjani, Renter reports from Dubai.

EC reports progress in talks with US over financial aid for Airbus

THE DISPUTE between the US and the European Community over government subsidies to Airbus Industrie, the four-nation European aircraft manufacturing consortium, appears to have entered a calmer phase in two days of talks in Geneva.

EC reports progress in talks with US over financial aid for Airbus

West German government was violating the General Agreement on Tariffs and Trade by subsidising Daimler-Benz's purchase of a majority holding in Messerschmitt-Bölkow-Blohm was not raised in the latest round of talks.

EC reports progress in talks with US over financial aid for Airbus

The changes follow a series of congresses of the writers' and artists' unions in which intellectuals displayed unbridled opposition to their unions' passive leaderships.

Explosion 'has cut Soviet gas by 20%

A SOVIET government official has said that last month's explosion of a big pipeline in the Ural mountains, in which more than 600 people were killed, will decrease the country's gas supply by 20 per cent, forcing a drastic cut in gas exports and supplies to domestic factories and consumers.

Shipping Report Rush of tanker orders fails to materialise

By Kevin Brown, Transport Correspondent

Moscow to join Iran in oil drilling venture

THE Soviet Union and Iran will begin drilling for oil together in the Caspian Sea on August 1, says news agency Tass yesterday, Renter reports.

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FINANCIAL TIMES GUIDE TO UNIT TRUSTS by Christine Stopp. Why should you become a unit trust investor? Will a unit trust perform better than a building society account? Why unit trusts rather than shares? This guide answers these and other questions and outlines all you need to know to make an informed investment decision about unit trusts.

OVERSEAS NEWS

'Useless women' claim upsets Japanese voters

By Stefan Wagstyl in Tokyo

A LEADING member of Japan's ruling Liberal Democratic Party has caused a storm in the country's current national election campaign by declaring that "women are useless in the world of politics".

Mr Hisao Horinouchi, the agriculture minister, also said Mrs Tabako Doi, chairman of the opposition Japan Socialist Party, would not be equal to the job of prime minister because "she is not married and has no children".

selection of Mr Sotoku Uno, the current prime minister, had been strongly criticised, he said. The next leader should instead be elected in a poll of party Diet members.

Botha makes his bid for the history books

Anthony Robinson on the 'unthinkable' Tuynhuis tea-party with Nelson Mandela

FOR months now it has been increasingly clear that the rehabilitation of Mr Nelson Mandela and other black nationalists incarcerated since the early 1980s was mainly a question of time and circumstance.

being soft on the "terroristic and communist-inspired" African National Congress (ANC), and who hounded businessmen, academics and politicians who dared to visit the exiled organisation.

The next stage will be the direct involvement of the ANC for the first time at a meeting, tentatively scheduled for London. This should bring together Chief Buthelezi and Mr Oliver Tambo, the ANC leader in exile, who have been enemies since 1978.

Namibian independence process is back on schedule; reconciliation talks are being held between the MPLA government and Unita rebels in Angola, and between the Frelimo government and Renamo rebels in Mozambique.

Australia, EC at odds on Pacific grouping

By Peter Ungphakorn in Bandar Seri Begawan, Brunei

AUSTRALIA and the European Community exchanged strong words on Saturday after the EC asked to be an observer in a proposed group for Pacific regional co-operation.

group for Pacific co-operation, the EC could not accept "pre-fabricated decisions" made without EC participation.

Sihanouk optimistic over conference on Cambodia

PRINCE Norodom Sihanouk, the Cambodian rebel leader, arrived in Paris yesterday and said he would work for the success of an international peace conference on Cambodia planned later this month.

international conference is to open under French sponsorship, including the Cambodian factions, the five permanent members of the UN Security Council, the members of the Association of Southeast Asian Nations, Vietnam and other countries.

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OVERSEAS NEWS

Americans put new accent on EC

Tim Dickson on a US company's plans to sharpen its Euro-business

A MERICAN companies are sometimes described as the only true pan-European companies. The description reflects the well-known fact that big, long-established US multinationals, such as Ford, have built integrated European production systems run from regional headquarters that have long viewed the continent as a single market.

Such companies are well placed to benefit from the 1992 process, many are discovering that to take full advantage of it requires a shift in culture and approach.

Honeywell Europe, for example, has long had a pan-European production and distribution system, including a single huge warehouse to supply its goods across the region. But since 1987 the process control company has gone the other way, undertaking a painstaking and methodical strategy to meet the challenge of 1992, initiated by Mr Jean Pierre Rosso, Honeywell Europe's chairman.

This effort is directed from a self-consciously small European Community affairs office by Mr Walter Di Pretoro, a company vice-president.

The approach has been to mobilise people in the field, first by setting up a task force drawn from all parts of the group's European organisation, then by establishing project teams to ensure staff participation down the line.

"My main conclusion," says Mr Di Pretoro, "is that the European single market is another business variable that the whole organisation has to deal with, like a new technological development, a new marketing methodology or a new competitor."

He does not think it should be viewed as an isolated phenomenon, which is why we are trying to make preparations for 1992 the responsibility of everyone.



The original decision to take a close look at implications of the Single European Act came soon after the sale of Honeywell's business computer interest to the French company Bull — a move which paved the way for its renewed emphasis on controls and automation, notably in residential and commercial buildings, industry, aerospace and defence.

Honeywell Europe was established in Europe in 1934, when it set up a sales company in Italy. It now has 14 manufacturing units in six EC member states, it employs 11,000 people through-

out Western Europe (90 per cent in the EC) and chalked up sales last year of well over Ecu 1bn. The company does its internal billing in Ecu.

According to Mr Di Pretoro, Honeywell's 1992 programme consists of two distinct but overlapping stages.

The first involved a large internal awareness, education and motivation campaign which is not yet complete and which he says can only be considered successful "when people start looking for the relevant information themselves."

The vital stage 2 — inspiring practical changes within the Honeywell organisation — began with detailed analysis by project teams of directives proposed in the Commission's 1986 White Paper. The aim was to define the main issues fac-

ing the company, set objectives and priorities, and establish a coherent corporate plan for putting them into action.

Eleven potential areas of activity were identified — technical standards (or product harmonisation), research projects, marketing, public procurement, transportation, telecommunications, financial and fiscal, business laws, external trade, human resources, and public affairs and public relations.

Brazil to explain cash curbs

By Ivo Dawnya in Rio de Janeiro

BRAZIL WILL today begin a new diplomatic initiative aimed at minimising the adverse impact of its move last week to introduce restrictions on the outflow of foreign capital to protect its foreign exchange reserves.

Mr Marcilio Marques Morcira, ambassador to the US, arrives back in Washington after consultations in Brasilia with orders to explain the decision as a protective measure aimed at stabilising the economy before November's presidential election.

A week ago Brazil introduced new rules requiring prior central bank authorisation for all exports of foreign exchange, including remittances of companies' profits and dividends.

It followed the move by announcing that interest payments falling due on its \$112.5bn (\$70bn) commercial bank debt could be delayed, depending on the state of its foreign reserves — believed to stand at about \$5bn.

But the non-payment of a tranche of interest due to the Paris Club group of sovereign creditors was ascribed to technical problems.

Menem pledges 'major surgery'

THE NEW government of President Carlos Saul Menem, promising "major surgery, without anaesthetic," was to announce harsh austerity measures last night to combat Argentina's worst ever economic crisis, Reuter reports from Buenos Aires.

The tough-talking Mr Menem, sworn in on Saturday, said in his inaugural speech to Congress, "We're going to practise medicine. [Argentina] will undergo a tough, costly and severe adjustment."

Arriving at Government House yesterday morning, he told reporters that to cure the country's ills, "We should conduct major surgery without anaesthetic."

The new Economy Minister, Mr Miguel Roig, was due to present the plan in a televised announcement last night.

Senior Peronist Party members said the measures would include massive increases in public utility rates, a six-fold rise in petrol prices and a 60 per cent devaluation of the devalued Austral currency, which has already lost over 95 per

cent of its value against the US dollar this year.

Mr Menem's predecessor, Mr Radial Alfonsín, left a legacy of 100 per cent monthly inflation, stagnating industry, rising unemployment and a crushing \$60bn foreign debt on which Argentina has made no payments for 15 months.

"The Argentine economy has a nose around its neck, there is no more time to hesitate," Mr Menem said in his 52-minute speech to Congress.

The flamboyant former governor of an impoverished northwestern province, who led his Peronists to a landslide victory over the ruling Radicals in May 14 elections, gave no details of his plan, although he promised to crack down on speculation and corruption of public officials.

The Peronist sources said Mr Roig, a former executive of Argentine multinational Bunge y Born, was seeking last-minute support from industrial leaders for a pay hold prices for the next four months.

But they said if no agreement was reached, the government could slap on a compulsory price freeze.

Prices stamped further in the days preceding the handover of power — the first from one elected president to another in 61 years — as factories and traders hedged against expected price controls.

The economic crisis, described by Mr Menem as the worst in Argentine history, boiled into violence in May in bloody riot that killed 15 people and injured hundreds.

Political and labour leaders have warned of more upheaval if he fails to bring quick relief for the 8m Argentines living below the poverty line.

Mr Menem has promised a sharp increase in the minimum wage which, at the equivalent of \$36 a month, barely covers a poor family's food bill in a country once known as the breadbasket of the world.

Mr Menem has surprised both opponents and supporters with his tough talk on the economy and the appointment of businessmen and political opponents to top economic jobs.

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Mexican election result awaited

By Lucy Conger in Morelia, Mexico

POLITICAL passions mounted in Michoacan state at the weekend ahead of the disclosure of official results that are meant to resolve the outcome of the first serious electoral contest between Mexico's second-strongest party, the newly formed Party of the Democratic Revolution (PRD), and the long-ruling Institutional Revolutionary Party (PRI).

Both parties claim to have won a majority of 18 state congressional seats contested for in the July 2 ballot, and each accuses its opponents of election irregularities, including vote-tampering and theft of ballot boxes.

The two leading opposition parties are the PRI and the PRD, which is based in Michoacan and Baja California, to prevent the vote fraud common in Mexican elections for decades.

They are a big test of President Carlos Salinas de Gortari's ability to uphold his oft-repeated commitment to ensure fraud-free elections and move the country towards genuine democracy.

Earlier in the week, the PRI acknowledged the victory of the right-wing National Action Party in the governor's race in the northern Baja California state, the first time in 60 years the ruling party has conceded a governorship to an opposition candidate.

Mr Cuauhtémoc Cárdenas, the PRD's national leader, challenged the government to run a clean vote-count by opening ballot packets to public scrutiny.

This final vote count was being conducted yesterday under the gaze of army troops, with ballot boxes and tally sheets from polling places opened and the election results due to be verified at 16 District Electoral Commission offices.

Riot police stood guard outside the Morelia Sur District Electoral Commission. Across the street, more than 30 PRD sympathisers from Morelia and environs stood vigil in an effort to prevent tampering with ballot boxes.

Noting that leading PRD militants in Michoacan are recent defectors from the PRI, some observers feel both parties are equally capable of altering the vote count. The PRI has con-

ceded PRD victories in four Michoacan congressional districts, but its claims that it holds "consolidated victories" in 11 districts seem to indicate that conceding a majority of seats to PRD is a political impossibility.

The electoral dispute for the Michoacan state congress has bitter undertones. The PRI lost Michoacan to Mr Cárdenas, the state's favourite son, in the July 1988 presidential elections. He now has a national following and, in less than a year, catapulted his fledgling four-party coalition, which later became the PRD, into the nation's second strongest electoral force.

Many PRI militants feel betrayed by senior PRD leaders who defected from the PRI, in a protest over non-democratic practices, to form the new party. The PRD is not considered a "loyal opposition" party like the PAN, which is ideologically distinct from PRI and has regional strongholds, particularly in industrialised, northern Mexico, but has not taken root nationwide. PRD and PRI both claim to embody the ideals of the 1910 Mexican Revolution, which gave rise to the PRI regime.

UK NEWS

Industries count cost of missing containers

By Richard Donkin

THE manufacturing and retailing industries are spending millions of pounds a year replacing missing and stolen packaging from shipping containers at the larger end of the scale to beer cans, bread baskets and milk bottles in the domestic market.

Increasing concern in the shipping industry has led the International Maritime Bureau to send an officer to Africa to investigate the disappearance of containers. It has been unable to discover how many containers have gone missing from the world total of 4.7m 20ft units in circulation in 1987.

According to Mr Kenneth Luck, assistant director of the IMB, the containers, which cost about \$3,000 (£1,840) each, are often retained on delivery of goods by importers who "forget" to return them or claim them with the goods.

Others are stolen, often with their contents, and sold on for storage or, with the addition of a window or two, for makeshift homes.

One of the main problems in the domestic packaging market is the theft of steel and aluminium beer cans and kegs, which cost the brewing industry \$20m a year. Kegs have been seen in half to make garden seats and have been found doubling up as yachting buoys.

Smelting down the kegs, which sell for between 250 and £150, has attracted organised crime which is believed to have taken on about 250,000 kegs missing each year from the 18m in circulation.

A £10,000 industry reward for information leading to the conviction of keg thieves and the employment of a security company led to the recovery of 12,000 kegs in six months to the end of March.

The theft of plastic bread baskets is costing the large bakeries between \$5m and \$6m a year, according to the Federation of Bakers. It said that last year its members lost more than 1m baskets, over half the retail stock.

The federation blames the losses on small bakers' shops "borrowing" baskets for their own use, or throwing them away, or theft by burglars who grind them up and sell the plastic for recycling.

In the pallet trade there is a black market in used pallets. The number of pallets that go missing every year is not known but probably runs into millions.

Some lorry drivers sell pallets to street traders who will use them to store a pallet which costs about \$7 net. The trader then sells the pallet back to a retailer who is probably losing pallets from the "lorry trade" in the first place.

Recycling receptacles has kept one company in legitimate business for years. The dairies set up a joint company, Milk Vessels Recovery, as far back as 1915 to return the 15m of Welsh milk churns that built up in Hyde Park because of the rail strike after the First World War.

The company, which now has seven depots nationwide, returns about 45m milk bottles a year to their home depots.

But the dairy industry in England and Wales still has to replace about 600m milk bottles a year at about 6p each from the manufacturers.

Study by Bank of cushion against Third World debt

By Stephen Fidler, Euromarkets Correspondent

THE BANK of England is reviewing the complicated credit scoring system used as a guide for provisions British banks should make to cushion against possible losses on loans to problem debtor countries.

The review of the so-called matrix, which has been essentially unaltered in the two years since it was introduced, is likely to increase expectations that British banks will have to make higher Third World debt provisions.

While a revised matrix does not necessarily imply higher provisions, Bank of England officials have made no secret of their belief that, while up until now the level of UK bank provisions has been adequate, the balance of probability suggests that banks will have to establish higher provisions against developing country loans.

The matrix uses a variety of tests — such as whether a borrower is current on interest or whether a country has an International Monetary Fund programme — to establish a

credit score used as a guide for provisioning. The Inland Revenue also uses the matrix as a guide for what provisions should be allowed against tax.

In broad terms, UK clearing banks have made roughly 35 per cent provisions against their Third World loans, but their exposure is widely varied. Midland, Lloyds and Standard Chartered are considered the three big UK banks likely to be hurt most by high provisions.

In the last two years, the creditworthiness of many Third World borrowers has fallen. Argentina, which owes \$35bn (\$21.5bn) to commercial banks, has paid only about \$100m of interest since April last year and is more than \$3bn in arrears on interest.

Ecuador is two years behind on payments on its \$6bn of debt to banks, although it made a \$15m payment last month, while Peru has not paid debt since 1985 on \$5bn of debt. Venezuela, which owes more than \$25bn to creditor banks, is more than 90 days

behind on interest and has delayed repaying some letters of credit.

Of the large Latin American borrowers, only Brazil, Mexico, Colombia and Chile are roughly current on repayments to banks.

Brazil declared last week that it would delay some payments to creditors in a bid to replenish its foreign reserves. But bankers said on Friday that they had received interest payments on some medium-term Brazilian debt, supporting the Brazilian Government's assertion that it did not intend any debt moratorium.

Mexico's 15 leading bank creditors appear to be settling for a financing package offering the option of debt principal or interest reduction of an average 35 per cent in negotiations last week with Mexico, that are expected to flesh out the US debt initiative launched in March. However, Lloyds has been one bank arguing vociferously against such deep discounts.

Lucas Automotive will increase production of anti-skid brakes

By John Griffiths

LUCAS Automotive, the vehicle components division of Lucas Industries, is planning a more than five-fold increase in its capacity to produce anti-skid braking systems for cars.

The move will bring expansion to plants both in Britain and on the Continent.

Investments to raise annual output of such systems from the current 80,000 units a year to 500,000 annually are planned in two stages, over the next four years, at Lucas Automotive's Kenfig Hill plant in South Wales and at a continental site, probably in France or Spain.

Mr Bob Dale, managing director of Lucas Automotive, declined to comment on the precise amounts of the planned investments.

He indicated that the money would be spent mainly on sophisticated production equipment which would be unlikely to create significant additional employment.

It is not yet decided how production will be allocated. Currently, the Welsh facility produces 20,000 units a year; but the majority, 60,000 a year, are produced at a Lucas plant at Koblenz in West Germany.

However, soaring costs of manufacturing in West Germany make it unlikely that further significant investment in such systems will be made at Koblenz.

Lucas, in common with rivals such as Robert Bosch and Alfred Teves of West Germany, regards braking systems as potentially one of the most valuable automotive component sectors over the coming decade.

This is partly because the systems themselves are on the brink of becoming much more sophisticated, offering the prospect of higher values and profits per unit.

Systems of the future, according to Mr Dale, will prevent skidding under acceleration as well as braking, and will be integrated with other

electronic components in the car to become a complete "brake-management system."

Such are the perceived safety benefits of anti-skid systems that the companies believe there is a possibility they will become a legal requirement on cars.

Mr Dale made it clear that these developments are already signalling the end of the cheap, mechanically-based anti-skid "stop control system," which Ford and Lucas jointly pioneered on the Ford Escort range three years ago.

The stop control system is being made available on Ford's recently-launched new Fiesta range, but will disappear from the Escort range when the current model is replaced in about a year.

The replacement car will be fitted with an electronically-controlled system, expected to be similar to a system which has been developed by Lucas for installation on Fiat's Tipo hatchback range.

ITV 'to hold advertising revenue'

By Raymond Snoddy

THE ITV companies should maintain a dominant share of advertising revenue to the end of the century even though competing channels will eat into their audience share, a new study predicts.

The study, to be published later this summer, has been undertaken by Mr Stephen Buck, group director of research at AGB Research, the audience measurement company.

It concludes that satellite and cable channels are unlikely to segment the market and attract specialist advertising to any significant extent.

Mr Buck has looked at the US experience with multi-channel television to try to predict what will happen in the UK when a much greater choice of channels is available to the consumer.

Since 1970, the audience share of the three US networks — NBC, ABC and CBS — has

fallen from almost 90 per cent to almost 60 per cent and the trend is still downward. Yet over the same period, the network share of national advertising revenues has fallen only from 80 per cent to 50 per cent.

Although the share of revenue has declined, the actual amount has increased significantly in real terms; for example from \$5.1bn in 1980, to \$8.6bn last year at constant 1980 prices.

The evidence from the US, where the average household can receive 22 television channels, suggests that television seems to work in a completely different way from magazines.

With the exception of those channels which are aimed at ethnic minorities, US cable channels with low household penetration are watched less by the households which receive them than are the major channels.

"It does not appear possible in practice to appeal heavily to a small population subgroup or conversely to provide the kind of programming that reaches everyone but very lightly in terms of viewing," Mr Buck argues.

The AGB research director thinks it unlikely that the ITV or Channel 3 companies, as they will become, will jointly take a lower share of revenue in the year 2000 than the American networks do now.

"Since the US networks earned all-time record revenue in 1988, that cannot be bad news for ITV," Mr Buck adds.

Such an analysis could help stimulate increased interest in strategic stake-building or friendly acquisitions in ITV companies in advance of the competitive tendering process for the next round of commercial broadcasting licences.

Meeting small brokers' objections

Barry Riley on sub-contracting London equity market transactions

THE COMMITTEE developing Taurus, the proposed paperless settlement system for London equity market transactions, is now preparing to overcome the objections of certain small stockbroking firms to the new "dematerialised" arrangements.

The proposal is being made in the context of urgent moves to get the long-stalled Taurus programme off the ground by the end of next year. Last week, for example, the Stock Exchange made an unprecedented offer to cede a majority stake in an electronic clearing house to outside banks and other financial institutions.

Under the sub-contracting scheme, small companies will be able to work in conjunction with independent or bulk "clearing" companies, known as DAOCs (Direct Access Order Controllers) and avoid having to cope with advanced technology and new administrative burdens.

Brokers will be able to opt to be DAOCs themselves and make large companies will in practice do so. But some small firms have objected that they do not have sufficient capital or technological resources to take on the responsibility.

At the same time, they have been reluctant to sub-contract the administration of client accounts to the banks, for fear

that once the banks acquire details of their clients there will be the possibility of poaching of business.

Some small brokers have resented the Taurus plans as being an attempt by the big battalions to increase their domination of the securities industry. They have feared that in order to cope with the new responsibilities in connection with Taurus, they would have to increase their charges and possibly become uncompetitive.

According to Mr Ross Findlay, a leading Scottish private client broker, who is on a Taurus joint working party of the Scottish unit of the Stock Exchange: "In the initial stages these fears were perhaps justified. They are not justified now."

Mr Findlay is convinced that the latest version of the Taurus system will benefit seven private client brokers. "It must ultimately help the private client that we can bring down the bargain cost," he says.

He warns that the existing system will clog up badly again should a boom in business volumes, such as was seen in 1987, recur. The potential for disruption has been increased by the losses of experienced settlement staff in recent quiet conditions.

Small broking firms are urged to set up client nominee systems as a first step towards linking into Taurus. Various systems are now available from software houses to enable this to be tackled relatively simply and cheaply.

Many broking firms already have such nominee systems, which can fairly easily be upgraded into DAOCs, although at additional expense.

However, where they are unable or unwilling to do so, large organisations such as Lloyds and National Westminster Banks are now thought to be ready to establish bulk DAOC facilities.

Another operator considering whether to set up independent DAOC facilities is Security Settlements, a small specialist firm handling settle-

ment for various broking firms. But according to its chief executive, Mr Stephen Finmer, the promoters of Taurus have to overcome the disbelief which market professionals have attached to the proposals in the past couple of years.

Meanwhile, Mr Findlay is pressing for action. "We are pro-Taurus at Robert White," he says.

"Certainly there is a lot of work to be done. But we would like them to keep to a good timescale rather than dragging their heels."

A possible target for initial implementation is the date of payment of the final call on the Electricity issue in the spring of 1992. This is the point at which either conventional share certificates will have to be issued or, alternatively, shareholdings will go on to an electronic register.

Taurus will initially apply in a comprehensive way only to new issues. For other shares, holdings will be dematerialised after transactions, not until then. Institutional shareholders, however, will be able to have their own accounts on SEPOX, the central Stock Exchange nominee system.

UK NEWS

Industry complains about British Gas's tariff policy

By Max Wilkinson, Resources Editor

THE OFFICE of Gas Supply, the industry watchdog, is being urged to take further action following allegations that British Gas is continuing to abuse its monopoly in the industrial market.

The complaints have been made by the Energy Intensive Users Group, which represents the largest customers in eight industrial sectors. They say British Gas intends to cut some customers off when it is not strictly necessary, to encourage them to switch to higher tariffs required for guaranteed supplies.

Ogas is said to be putting pressure on British Gas to rethink its position and not cut off customers unless there is a shortage of supplies.

The larger customers have told Lord Young, Trade and Industry Secretary, that British Gas is seeking to evade the spirit of a recent Monopolies and Mergers Commission finding. This said the company must publish a schedule of industrial tariffs and must

allow customers to choose whether they want to pay extra for guaranteed supplies or are prepared to tolerate some interruption of supply in exchange for a lower price.

Previously British Gas had exercised discretion as to whether it would supply customers with cheaper "interruptible" gas. It had often sought guarantees from a customer that it had the capability of switching to alternative fuels before it would grant an "interruptible" supply.

However, Mr James McKinnon, director general of Ogas, argued that it was none of British Gas's business to enquire about alternative facilities at a customer's premises. The monopolies commission endorsed this view, ruling that British Gas must cease to discriminate between different customers wanting interruptible supplies.

Now, the users' group has told Lord Young that British Gas is seeking an alternative method of deterring customers

from taking the cheaper "interruptible" contracts.

It says the corporation is insisting that customers with "interruptible" contracts will be cut off for periods of up to 21 days. Many industrial users believe this is contrary to the logic of interruptible contracts, which were originally designed to give utilities flexibility during peak demand, allowing them to economise on peak load capacity.

British Gas has confirmed it intends to interrupt supplies to this class of customer, even when there is no gas shortage.

Ogas and the monopolies commission are both considering the complaint. Although Ogas would say only that it was looking into the facts, Mr McKinnon is thought to be sympathetic to the arguments of industry on this subject.

The Energy Intensive Users Group represents companies in the cement, ceramics, glass, steel, artificial fibres, paper and board, chemical and non-ferrous metals industries.

Institutions predict soft landing for economy

By Michael Prowse

THE ECONOMY will experience a "soft landing" next year, the UK's leading economic forecasters say.

An average of the latest forecasts from 22 institutions - 11 City and 11 non-City - compiled by the Treasury, shows growth of gross domestic product slowing from 2.5 per cent this year to 2.3 per cent next year.

This marginal slowdown is accompanied by a projected decline in inflation from 6.1 per cent to 5 per cent between the fourth quarter of this year and next year. The current account deficit is expected to decline from £15.7bn this year to £13.6bn next. Unemployment rises slightly - from 1.9bn in the fourth quarter of this year to 1.9bn in the same period next year.

The City forecasters are slightly more optimistic on growth and inflation than their non-City counterparts - anticipating GDP growth of 2.4 per cent and inflation of 4.9 per cent next year. The average of the non-City forecasts shows growth of 2.2 per cent and inflation of 5.1 per cent.

The non-City forecasters are less bullish about unemployment, however. They expect dole queues to average 1.8bn during the last quarter of next year - the city economists project unemployment of 1.9bn.

Both groups project a modest decline in the current account deficit to £13.6bn next year. The City economists expect a slight decline in the Chancellor's budget surplus to £15.5bn next year, while the non-City forecasters anticipate a slight increase to £16.2bn.

King's Cross scheme moves a step further

By Paul Cheeseright, Property Correspondent

GAMDEN Borough Council this weekend moved a stage further towards defining the kind of planning permission it is prepared to grant for Europe's biggest inner-city development at King's Cross in north London.

It held its second formal consultation with local residents and interest groups about a planning application lodged by London Regeneration Consortium for a £2bn development of 3,44m square feet of commercial and residential space on 134 acres.

The consultation is a form of pressure on the consortium to change its plan, which is heavily weighted towards the provision of office space: 6.95m sq ft against a minimum of 1.3m sq ft of housing, 330,000 sq ft of retail space, 300,000 sq ft of leisure facilities, 200,000 sq ft

of industrial space and 250,000 sq ft for a hotel.

The council and the consortium are both seeking a negotiated solution to differences over what the development should contain. The principle of development on derelict railway lands is not in question.

The consultation was designed to help the council refine its attitude towards the consortium proposals. Its basic position is that there is too much development planned for the site and that more attention should be paid to the provision of housing and community facilities.

The council is also concerned about the effect of creating a new community on the local transport and highway network, especially in the light of King's Cross's future role as a terminal serving

cross-Channel trains. Local community groups, under the umbrella of King's Cross Railways Lands Community Development Group, are arguing for less intensive development than that proposed by the consortium.

They seek a greater stress on housing and industrial space and believe this would provide a modest but adequate profit for the consortium and more closely meet the needs of the local community.

But for the consortium, made up of Rosehaugh, Stanhope Properties and MFC Properties, a high proportion of offices is necessary to generate a commercial return from the site.

The consortium has already adjusted its original plans to reduce the size of the development and cut the office content

by more than 500,000 sq ft. If council and consortium can agree on the scope of development, an outline planning permission could be granted early next year and construction could start in late 1990, lasting until 1997.

But this schedule would depend on British Rail Property Board, present owner of most of the site, settling a legal wrangle with St Bartholomew's Hospital, owner of 125 acres of it until 1846. The latter claims ownership of its former land under the terms of a statute setting aside the land for railway use.

The schedule also depends on the smooth passage through Parliament of the King's Cross Railways Bill which would give authority for a new station. This bill is now at committee stage in the Commons.

Computing centre in £1.8m expansion deal

By Ian Hamilton Fazey, Northern Correspondent

THE NATIONAL Computing Centre has signed a land leasing contract with Manchester City Council to extend its headquarters in a £1.8m expansion that should create about 100 technology jobs.

Mr John Aris, NCC director, reaffirmed last week the centre's commitment to Manchester as its headquarters, in spite of growth at its London office.

Annual staff turnover in London is about one in three in the computer industry, compared with the centre's Manchester experience of one in eight because of a more stable environment, better quality of life and cheaper cost of living.

NCC has regional offices in Birmingham, Belfast, Bristol and Glasgow, already employing 500 people. It used to receive Government support, but now survives entirely from private sector and government fees and from subscriptions.

Observer returns to fray with owners of Harrods

By Raymond Snoddy

THE Observer yesterday returned to the issue of Harrods, only days after its independent directors warned that the newspaper's reputation was being tarnished by its extensive coverage of the store.

One independent director, who asked not to be named, expressed "great surprise" at the newspaper's resumption of hostilities.

The Observer led its front page with a report alleging that the Fayed family - owners of the House of Fraser, the retail group that includes Harrods - were negotiating a deal with the Inland Revenue over non-payment of taxes. Mr Michael Cole, spokesman for the Fayed group, said the story was part of an "unprecedented four-year campaign of vilification by the Observer."

Mr Cole added: "We have three libel actions against the Observer and there is every possibility that a fourth will

join them."

He described the story as a "masterpiece of innuendo with very little in the way of facts."

Mr Mohamed Fayed was quoted in the Sunday Telegraph as denying the allegations.

In its report the Observer said it was threatened with an injunction by Mr Michael Chance, deputy director of the Serious Fraud Office if the paper published confidential correspondence between government departments. The injunction threat was removed when the paper gave assurances it would not do so.

The Observer story came less than two weeks after the paper's independent directors looked into allegations that stories on Middle East arms deals had been written at the behest of Loro, the company which owns the Observer.

The independent directors found there was nothing to substantiate the suggestion.

Share option limit to rise from September

THE AMOUNT which employees can save in company share option schemes is to be raised by £50 a month from September 1, the Treasury has announced.

The Chancellor said in his Budget speech in March that it was planned to raise the limit from £100 to £150 a month.

Treasury expects 'hard choices'

By Philip Rawstone

THE Cabinet will meet on Wednesday amid conflicting economic and political pressures to set the framework for next year's public spending programme.

Treasury ministers have already sounded several warnings that "hard choices" will have to be made in negotiations during the next few weeks over departmental budgets.

Mr John Major, Chief Secretary to the Treasury, has insisted that so long as inflation is rising - and another small increase in the rate is expected to be announced this

week - the Government can not "rush in with our cheque books flapping."

The Cabinet is expected to come up with a formula that sticks closely to the £17.8bn already pencilled in for the 1990-91 programme but allows some scope for extra spending on priority areas.

Departmental ministers, however, are unlikely to secure anything like the additional total of around £10bn that they are seeking, mainly for transport, health, education and social security.

Demands for the spending of some of the Government's

£14bn surplus have been rising as the Government has run into political difficulties on several fronts and Labour has extended its lead in the opinion polls to 12-14 per cent.

Fears among Conservative backbenchers about the political impact of the introduction of the poll tax in England and Wales next year are now adding to the political pressures on the Treasury.

A growing number of Conservative MPs is joining in demands for an extra £1bn from the Government to ease the initial effects of the tax.

Jobs lost as microwave demand falls

By Richard Tomkins, Midlands Correspondent

A SHARP downturn in UK demand for microwave ovens has triggered nearly 100 job losses at Wagon Industrial, the Shropshire-based manufacturing group.

The redundancies will affect employees at factories operated by Wagon's Edward Rose subsidiary in Brownhills, West Midlands, and Telford, Shropshire.

Edward Rose's main activity is making vehicle components, but it also supplies metal pressings for the bodies of microwave ovens made by two Japanese companies in Britain.

Mr John Hudson, Wagon's chief executive, said high UK interest rates and the consequent slackening in consumer demand had led to a downturn in microwave oven sales.

Consequently, one of Edward Rose's Japanese customers had taken to manufacturing oven bodies itself, while the other had sharply reduced orders.

Mr Hudson said that although the 95 redundancies had been precipitated by the loss of orders, he had been unhappy about Edward Rose's efficiency since the company was acquired in July last year.

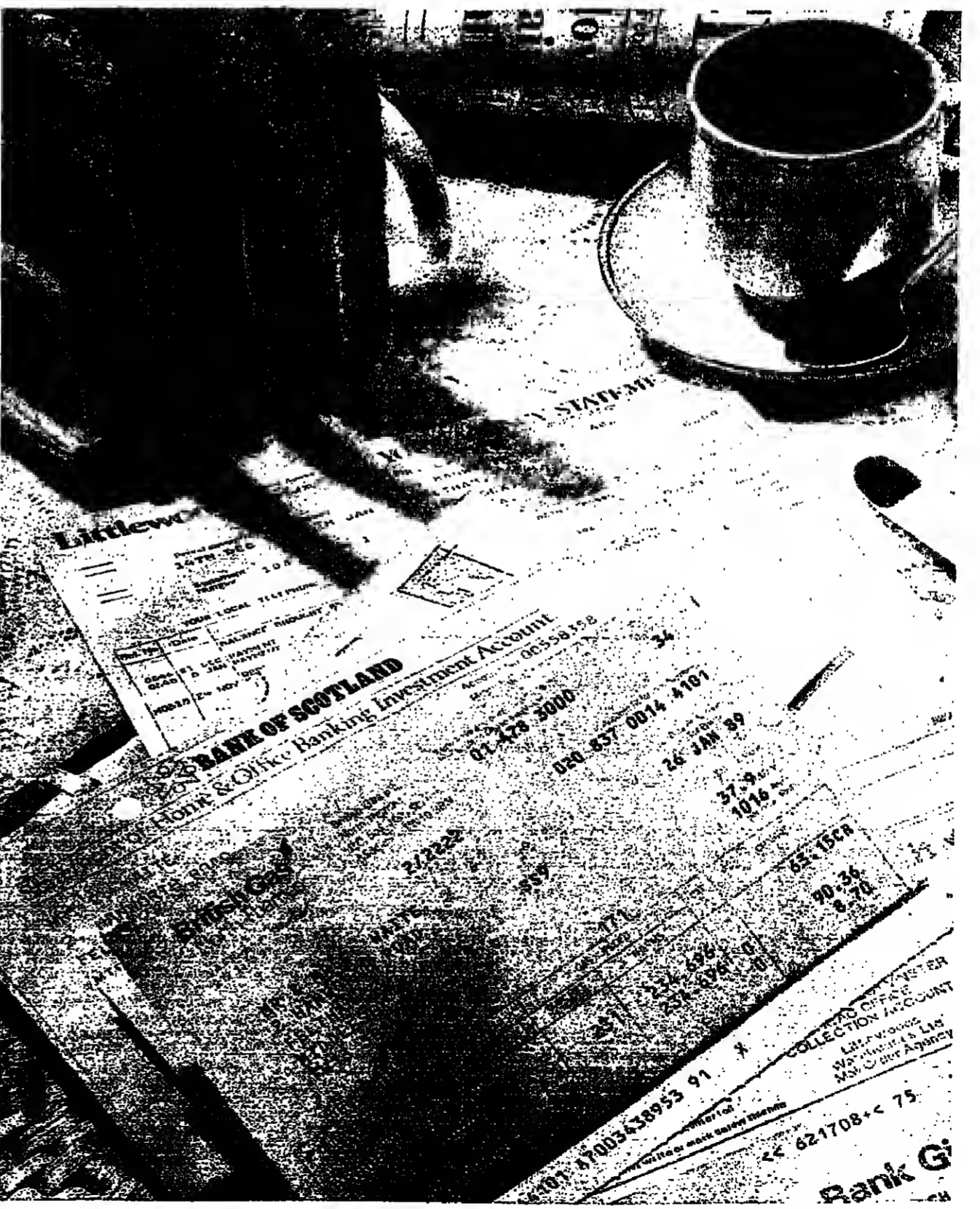
The redundancies are to take effect after the holidays.

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UK NEWS

Rail unions appear divided over response to fresh BR proposals

By John Gapper and Philip Stephens

BRITAIN'S rail unions last night appeared divided over their response to British Rail's offer of fresh talks on pay on the eve of an overtime and rest day working ban by drivers that is likely to add greatly to rail disruption.

Commuters, especially in the south east around London, will face further difficulties this week if both main rail unions stage industrial action in protest at plans by the state railway management to impose a pay settlement and alter collective bargaining procedures.

Mr Neil Milligan, general secretary of the drivers' union Aslef, said his union was willing to talk to BR about the Railways Staff National Tribunal arbitration in favour of an 8.8 per cent pay award for white-collar staff.

The National Union of Railwaymen, the largest rail union, has insisted it will only talk to BR at the conciliation service Acas on the twin issues of the imposed 7 per cent pay award and the ending of national pay bargaining.

Leaders of Aslef, the NUR and the Transport and Salaried Staff Association (TSSA) white-collar union are to meet today to discuss tactics in the

dispute. The TSSA wants to meet BR to discuss the tribunal's pay arbitration in its favour.

The outbreak of industrial unrest in British industry will escalate at midnight tonight when 9,400 dockers formerly registered under the National Dock Labour Scheme are called out on strike by the TGWU general workers' union.

BR said it was willing to discuss the tribunal's decision, although it would not commit itself to paying 8.8 per cent to all its 130,000 staff. A meeting with the unions willing to discuss pay alone could take place this afternoon.

It is the fourth one-day strike by NUR members over pay and national bargaining is due to take place on Wednesday. BR warned yesterday that up to a third of Southern Region trains could be hit by the Aslef overtime ban.

Mr Richard Rosser, TSSA general secretary, said the union wanted to meet BR to discuss pay following the tribunal decision. He believed his members would accept an 8.8 per cent award provided BR did not attach conditions to it.

Aslef has treated the two issues of pay and bargaining



Railways: closed by dispute

separately so far in the dispute. The union is likely to ballot its members on further industrial action this week unless BR amends its attempt to end national bargaining.

BR said peak-time commuter trains would be worst affected by today's Aslef action. It has made contingency plans to close cramped stations such as Charing Cross in London if there is severe disruption.

Mr Paul Channon, Transport Secretary, and Mr Norman Fowler, Employment Secretary, will meet early today to review the situation in the rail

dispute.

Later Mr Channon is expected to face tough questioning in the House of Commons on the Government's response to the strikes and overtime ban. He and his junior ministers are due to take a range of transport questions during some 40 minutes in the House.

Mr Robert Adley, vice chairman of the Conservative transport committee, is to ask whether the minister has any plans to meet the railway unions again to discuss Government investment.

Mr Adley, yesterday criticised the Government's non-intervention policy.

He said: "I am not aware that it is modern Tory philosophy not to talk to the trade unions. If it is, I hope that philosophy is changed."

"I hope that where there is a chink of light, the Government will use all its efforts to try to bring about a settlement."

But there was no indication yesterday of any change in the Government's approach to the rail and other disputes.

Mrs Thatcher is not expected to call another meeting of the wider group of ministers now involved in the handling of the disputes before Wednesday.

Shortage of skills has little impact

By Michael Prowse

SKILL shortages are continuing to affect British manufacturers but the effects in most cases are minor, according to a survey by the Confederation of British Industry and the Training Agency published at the weekend.

The most acute shortage is of professional engineers: 26 per cent of manufacturers reported a shortage in 1988 but only one in 10 said that output had been constrained significantly by the shortage.

The proportion reporting a shortage was significantly higher than in 1987, but the effect on output was judged to be less severe.

Capital goods industries were most affected by the scarcity of engineers, with one in five saying that shortages had had a significant or severe effect on output.

Overall, nearly half the companies questioned said they had been unable to meet their skill needs during the previous year.

More than 80 per cent had tried to recruit staff and three-quarters had retained existing employees. More than half had improved pay and conditions in an effort to meet their skill needs.

Apart from engineers, shortages were experienced of machine operators, computer and management personnel, electricians, and sales and financial staff.

Six out of 10 companies reported significant effects on output as a result of shortages of machine operators. Nearly one in 10 rated the effects as being severe.

Shortages of computer and management staff had a relatively minor impact on output. Recruitment difficulties reflected pay and conditions which were being improved.

Engineering, motor vehicle and transport equipment companies reported shortages of maintenance electricians. Difficulties were being solved by retraining and recruitment at lower levels.

Shortages of sales staff were said to have had a big impact on output. A third of companies surveyed had experienced a high turnover of sales personnel.

However, reported shortages of financial staff had little effect on output.

The CBI says that since the skills survey was carried out last November, skill shortages and recruitment difficulties in manufacturing industry appeared to have eased.

High costs may push down the value of nuclear power plant

By Max Wilkinson, Resources Editor

HIGH costs may push down the value of Britain's nuclear power plant, which new figures given to the Government suggest is over valued and not worth the £2bn claimed by the Central Electricity Generating Board, the state power supplier.

Bankers say that the new valuations would make the plant difficult to sell. Estimates of negative or very low asset values reflect three adverse factors:

- Fears that teething troubles with the latest Advanced Gas-cooled Reactors (AGRs) may be prolonged into late adolescence;
- Huge increases in the estimated costs of decommissioning and nuclear fuel re-processing;
- A sharply increased cost of capital from the 3 per cent (in real terms) now earned by the industry to a target rate of 8 per cent.

A negative value of several hundred million pounds is considered plausible within the industry, although it results from a "worst case" calculation.

Ministers are therefore con-

sidering ways of limiting the exposure of National Power, the company which will inherit the CEBG's nuclear assets, by signing much of the decommissioning risk on to British Nuclear Fuels Limited (BNFL), the private limited company owned by the Government.

Ministers are also considering how much they can inflate the nuclear asset values by use of the levy, which will be set at a level which would give it a nuclear profit of about £250m per year. However, this would make the nuclear assets worth only about £2bn, assuming a rate of return on assets of 8 per cent, the figure now used for nationalised industries.

Ministers are therefore faced with a write-off of up to £5bn. If they were to listen to those arguing that the nuclear levy should not be used to inflate asset values, the write-off would have to be much larger.

A decision on how the nuclear industry will be revalued for privatisation is expected to be announced quite soon, possibly this week.

changes in safety regulations since then.

The decision by Mr Barnes to make the five-day visit follows the large amount of evidence, some of it conflicting, he has received about the accident.

Opponents of the £1.47bn Hinkley Point C station say the accident showed that nuclear power is too dangerous, in spite of the differences in reactor design and safety regulations used by the Soviet and UK nuclear industries.

Hinkley N-inspector to visit Chernobyl

By David Green

THE inspector leading the inquiry into a controversial new nuclear power station in western England is due to leave for the Soviet Union today, where he will visit Chernobyl, scene of the world's worst nuclear power accident.

Mr Michael Barnes QC, the inspector conducting the Hinkley Point C nuclear power station inquiry in Somerset, is studying the emergency procedures which followed the accident, in April, 1986, and talking to Soviet officials about

changes in safety regulations since then.

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Opponents of the £1.47bn Hinkley Point C station say the accident showed that nuclear power is too dangerous, in spite of the differences in reactor design and safety regulations used by the Soviet and UK nuclear industries.

Mr Barnes is being accompanied on the visit by Mr Humphrey Temperley, chairman of a consortium of 24 local authorities opposed to Hinkley Point C. Mr Crispin Aubrey, an advocate for Stop Hinkley Expansion, a regional opposition group, and Mr Bob Tivy, a Central Electricity Generating Board official.

The board wants to build a pressurised water reactor (PWR) nuclear plant at Hinkley Point, on the Somerset coast.

Ports prepare for long dock strike

By John Gapper and Ian Hamilton Fazey

A NATIONAL dock strike is expected to halt work at 60 British ports today, following the expiry of the joint national bargaining machinery covering Britain's 9,400 former registered dockers.

The strike was called after the Government decided to end the National Dock Labour Scheme, which guaranteed dock workers a job for life.

Both the National Association of Port Employers and the Transport and General Workers Union (TGWU) yesterday predicted a united strike from midnight tonight. The TGWU said it believed the strike could last six months or more.

Industrialists, however, hope to limit damaging effect of a strike and importers in industries such as food and commodities have already built up extra stocks.

Importers started stockpiling reserves in April when the abolition of the scheme was first put on the parliamentary agenda. There is now believed to be a six-month buffer against import supplies drying

up, leaving Britain better placed to withstand a lengthy dock strike at its largest than it was when Liverpool and London dockers tried to orchestrate a national unofficial stoppage last month.

Imports will continue to arrive at most ports because since April shippers have been perfecting the means of bypassing ports that were in the scheme. They have used non-scheme UK ports for smaller vessels and French and German docks for larger ships of over 20,000-tonnes, from where UK-bound cargoes are transhipped in smaller vessels or by road and ferry.

There are also doubts about whether dockers will strike at Sheerness in south-east England. The dockers there were the first to reach a local agreement to replace the National Dock Labour Scheme and voted on Friday not to walk out.

Mr Bob Baulch, TGWU shop steward at Sheerness, said he could not predict what dockers at the port would do. Mr



Docks: cranes halted by strike

Baulch told the TGWU biennial conference last month that the Sheerness dockers would join any official strike.

Mr Nicholas Finney, director of Nape, said port employers or their customers would probably take legal action to stop any picketing of non-striking ports by dockers from other ports. But he believed it would not be necessary this week.

Mr Bill Morris, TGWU deputy general secretary, said the strength of the second national

ballot on strike action following the abolition of the scheme showed that the strike would remain united.

"I believe we are in for a long, drawn-out struggle, but our union is absolutely firm and solid," he said.

Nape estimates about 1,200 of the former registered dockers have applied for redundancy, but Mr Finney said it was not clear by how much port employers wanted to reduce their workforces.

The National Joint Council for the Port Transport Industry - the joint bargaining body for dockers - will be dissolved today. The TGWU is pressing for a new national agreement with port employers to replace the terms of the Scheme.

TGWU Shop stewards meeting in London on Saturday called for union members in other industries to refuse to handle cargoes from striking ports, but TGWU leaders have repudiated any action that could create another legal dispute.

Graduate recruiting tough for pharmaceutical sector

By Peter Marsh

BRITAIN'S pharmaceutical industry, one of the country's largest and most successful science-based industrial sectors, believes it faces deepening problems in its efforts to attract graduate scientists to its labour force.

The industry employs 15,000 scientists, making it one of Britain's highest private sector employers of such graduates. It spends about £700m a year on research and development - nearly a fifth of its total turnover.

Recruitment difficulties are occurring, the industry believes, partly because of the general shrinkage in the pool of graduates caused by demographic trends. Another factor is increased competition by other sectors such as financial institutions for science-trained graduates.

The industry also reckons there is a particular problem in

attracting bright school leavers into science courses in university, a factor which eventually reduces the pool of graduates in science emerging into the labour force.

A survey of the UK's largest drug companies by The Association of the British Pharmaceutical Industry, the main trade body for the industry, reveals widespread concern that during the 1980s it will be unable to find enough good people to fill the 500 or so new jobs a year likely to be offered to graduate scientists.

The difficulties affect virtually all the main UK-based drug companies, including large British-owned groups such as Glaxo, Imperial Chemical Industries, Beecham and Wellcome, together with non-British companies such as Switzerland's Ciba-Geigy.

Disciplines where the industry believes graduates are in

increasingly short supply include chemistry, biology, pharmacy and pharmacology.

The industry has engaged about 500 graduates a year in these fields over recent years and expects the numbers to stay about constant.

Beecham said it was having to work harder to employ new graduates. Last year it managed to engage only 90 of the 120 or so it was seeking.

Glaxo, which is aiming to employ this year about 80 science graduates for research and development jobs, said it was being forced to pay "over the odds" to attract good people.

Salary levels being offered to new graduates recruited this year were between £12,000 and £12,300 per annum - significantly higher than the £11,000 that Glaxo was offering new graduates of last year's intake.

Cross-border plans raised on education

By David Thomas, Education Correspondent

CROSS-BORDER joint ventures in graduate recruitment are under way or planned by British, US and French organisations with an interest in education.

This is a further sign of the growing concern over graduate recruitment because of fears about the decline in the number of young people expected in most European countries and the US in the 1990s.

Some employers are already reacting to a tighter graduate labour market by extending graduate recruitment activities outside their home base.

This growth in international recruitment activity is now being matched by organisations which supply educational services.

London University has already entered into an agreement with a US company, CareerVision, under which the university's careers organisation is helping to introduce graduate recruitment fairs into the US.

Recruitment fairs, where employers promote themselves

to students, are highly successful in the UK but up until now have been unknown in the US.

CareerVision and London University organised the first US graduate fair in Boston in April and are planning three more over the next year.

The university has a consultancy fee and profit-sharing arrangement with CareerVision. Mr Brian Steptoe, director of the university's careers service, hopes the service could earn up to \$100,000 (\$51,576) a year from the deal, although its prime purpose is to extend his organisation's experience.

CareerVision is a newly-formed subsidiary of Millicom - the entrepreneurial US company best known in the UK for its cellular telephone interests. It is addressing the US student market by distributing a magazine free to more than a million students and cashing in on the intense advertising interest.

Ms Marian Salzman, CareerVision's president, was in the UK last week, partly to study the potential for a similar venture in the UK.

Government funding of voluntary groups 'inefficient and confused'

By Joel Kibazo

INEFFICIENCY and confusion in UK government funding of voluntary organisations is damaging the effective development of the voluntary sector, according to a study published today.

The study, from the National Council for Voluntary Organisations, an umbrella body representing charities and voluntary organisations in England, is NCVO's submission to the Government's scrutiny review of departmental funding to voluntary organisations.

The study, which puts government funding to the voluntary sector at more than £2bn, says: "It is not yet evident that there exists within the Government the necessary understanding, machinery, or strength of officials to match the growing significance of the sector."

The study identifies a list of problems met by many voluntary organisations financed or

seeking finance from government departments. The problems include:

- Chronic delays in decision making. Decisions on funding often take up to six months which can seriously endanger some organisations' survival.
- Bad communications. Initiatives are often launched with little or no consultation with those organisations which will have to run them, leading to expensive mistakes and delays.
- Inconsistency. There is no consistency across government departments in the way they process applications for grants.
- Heavy-handed control. Necessary and proper financial control is taken to absurd extremes, wasting resources and discouraging innovation.
- The setting of unrealistic budgets. Effective management of voluntary organisations is stifled when the Government makes unrealistic allowances for overheads, management,

training evaluation costs and what.

The NCVO study outlines what it considers to be appropriate funding mechanisms for the voluntary sector.

It concludes that grant aid is a flexible and stable way of funding and is well suited to the diversity of the voluntary sector; contracts are convenient and controllable and allow for the clarification of responsibilities; and that partnership arrangements, involving private and voluntary sectors, are critical in creating the infrastructure for health care, education and other services. However, these have to be underpinned by clearly defined funding mechanisms.

Efficiency Scrutiny of Government Funding of Voluntary Organisations; Submission by the National Council for Voluntary Organisations. NCVO, 26 Bedford Square, London WC1B 3EJ. £5.

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ICI steps up school liaison programme

By Peter Marsh

IMPERIAL Chemical Industries, Britain's biggest manufacturing company, is stepping up its school liaison programme in an effort to lay the foundations for attracting more science graduates.

The company, Britain's second largest pharmaceuticals group after Glaxo, is employing two former school science teachers whose sole job will be to link with educational establishments.

The appointments are to be made in the next few weeks. ICI hopes that by telling schoolchildren about itself, it will persuade more to enter science courses at universities and polytechnics.

That should bring more science graduates into the workforce.

ICI is also keen to project a better image of itself among young people. It reckons many schoolchildren are put off the idea of working for manufacturing industry and are more attracted to jobs in the City

and in professions such as law and accountancy.

ICI employs about 400 new graduates each year, roughly 300 of these being scientists and engineers working mainly in research and development.

The two former teachers will be attached to ICI's two main manufacturing complexes in Britain, at Wilton on Teesside in north-east England and at Ramcorn in Cheshire, in the north-west. They were both previously seconded to ICI plants on a scheme which the company established last year to introduce school teachers to its way of working.

Industrialists are keen to improve training in schools and the ruling Conservative Government has encouraged companies to back its plans for City Technology Colleges.

The colleges will train schoolchildren in science-based and technical subjects which will be more attractive to industrial employers.

Firms will have to join Fimbra insurance scheme

By Eric Short

ALL UK investment firms authorised by the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) will, from November 1, 1989, be required to join the single professional indemnity insurance scheme operated by the association.

This compulsion will apply even to those firms which already have their own professional indemnity insurance for an adequate amount.

Fimbra is the self-regulating organisation within the financial services regulatory framework responsible for regulating independent financial advisers and the smaller investment dealing firms not authorised by other self-regulatory organisations.

In the past, it has been severely criticised for not requiring compulsory professional indemnity insurance as a condition of authorising members.

It was argued that with such

insurance, an individual would be financially protected against the outcome of any errors or bad advice by the firm with which he was dealing.

The main stumbling block to Fimbra enforcing compulsory professional indemnity insurance was the cost to member firms, costs that would be proportionately high to small firms. About one third of Fimbra members are sole traders.

Now Fimbra has decided to set up its own insurance scheme that will be compulsory on all member firms.

The Law Society operates its own professional indemnity insurance scheme that is obligatory on solicitors.

Such blanket insurance schemes do help to keep the overall premiums down because of the high volume and lower administration required. Fimbra is offering two levels of cover, one with a ceiling of £100,000 and the other with a £250,000 limit.

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FIAT (UK) Limited, EUROPE'S DRIVING FORCE, the most advanced and most versatile car maker and Esso (UK) Limited, major distributors of petrochemicals, plastics and synthetic rubbers and Shree were sponsors of a guitar concert given by Marco de Sisti at the Wigmore Hall on 7th July 1989. The evening was organised by Mr J.R. Murray, Director of LACCS, in association with the Italian Embassy and Italian Institute and under the patronage of His Excellency, The Ambassador of Italy, Signor Boris Sancheri.

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NOTICE OF REDEMPTION
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ATTENTION is called to the Notice of Partial Redemption of the above referenced Bonds published in the Financial Times of June 28, 1989. REDEEMED, the number 87982 should read 87862. All other numbers remain the same.

Bank of Tokyo (Curaçao) Holding N.V.
as Fiscal Agent
Dated: July 10, 1989

MANAGEMENT

Benefits of a charter for 'complete freedom'

James Buxton explains how NCR's plant in Dundee maintains its world lead in automated teller machines

The NCR plant situated on the Dundee bypass looks at first sight like any other branch manufacturing plant in Scotland. It has a 1960-ish appearance and the ubiquitous logo of a multinational.

But it is an important manufacturing site - it makes all NCR's automatic teller machines, of which the company says it is the world's leading producer. Dundee is also the centre of NCR's world business for these customer-operated terminals, worth \$600m a year and the corporation's second largest division.

In addition to manufacturing, Dundee designs its own products and chooses the markets in which to sell them. NCR believes its success in gradually overtaking its rivals in the ATM market owes much to the degree of autonomy it has granted Dundee.

Since the late 1970s NCR, which has its headquarters at Dayton, Ohio, in the US, has pursued a policy of decentralising decision-making to the lowest level possible. The policy was brought in to revitalise a long-established but increasingly archaic corporation.

Revitalisation was particularly necessary in Dundee; in the early 1970s NCR's employment at seven plants in the city reached 7,000 as Britain and other Commonwealth currencies decentralised their currencies (NCR was a prime supplier of convertible cash registers). Thereafter plants were shut as the company - with difficulty - sought new roles for Dundee. All the time it was a second source operation making products dictated by remote corporate officials.

Now Jim Adamson, the bouncy, rapid-talking Scot who is the plant's general manager, is also responsible for all the financial self-service terminals business of NCR. "I have two sets of books," he says with a characteristic grin. "One set covers the plant and its transfers of products to our marketing organisations in each country. The other covers the entire product line from development to sales to customers. That makes me responsible for the

total profit and loss of the sector, under the vice-president for financial and office systems."

NCR's corporate structure beneath the post of chief executive is divided between vice-presidents responsible for product development, initial marketing, and manufacturing, and those who deal on a geographical basis with sales and marketing. Adamson's most crucial relationship is with sales and marketing.

The sales and marketing division is responsible for selling the products to the customer and meeting the customer's day-to-day needs. But Adamson says it is his subsidiary, NCR Manufacturing Ltd, which makes the initial decision on what to make and which markets to enter.

"We decide what the market wants and watch what our competitors are doing. If I want to sell in India the decision is mine. We would have sussed out the market first and then we'd tell sales and marketing about our intentions. They would have some input to make, on prices, for example. And they could refuse to sell there, or reject the products we wanted them to sell."

"But if we went ahead they would then take over the job of selling to the individual customer. But I am ultimately responsible for selling in 73 countries."

He goes on: "We deal with clients at a strategic level. We discuss their strategic requirements with them; 600 customers have come to see us in Dundee in the past two years. I did a quarter of a million miles of travelling last year and was away from the plant for a third of that time."

"I consider the financial self-service division mine - but if you talk to sales and marketing they will say: 'No, it's ours.'" Sales and marketing, he says, has its own profit and loss account for individual country markets.

NCR's latest financial self-service product is the 5682, an inter-active terminal. Located inside a bank or office it can be used for selling such things as life assurance, real



Jim Adamson: "We decide what the market wants, watch our competitors, and tell sales and marketing of our intentions"

estate, car hire or hotel rooms. By using a touch-screen, the individual can ask what products are available, examine the details of the specific product he or she is interested in, and then make a contract to buy it. The 5682 is already being used in pilot projects by a number of British and US customers.

The story of the 5682 is a good example of how the decentralised NCR system works. The product was conceived in Dundee and the idea discussed with a number of customers.

Some advance development work took place in the research and development department in Dundee - "I have complete freedom for spending on advance development spending," says Adamson - who has a total annual R&D budget of \$30m. An engineering specification was drawn up, but NCR's vice-president for development and production was not involved.

Next Dundee put together an overall business plan covering both production and marketing, "after I'd consulted country marketing managers to get their support and input." The business plan was then presented to Chuck Exley, NCR's chairman, in Dayton, to obtain approval for the investment.

That having been granted, details of the product had to be ironed out; its external design had to conform to the company's standards. Dundee is not obliged to incorporate components - such as printers - that are made by other sectors of NCR if it does not believe them appropriate, and has rejected some, though Adamson will not identify them.

The 5682 took only 12 months - from January 1988 to January 1989 - to pass from conception to first release. Adamson believes the speed with which products can be brought out is one of NCR's competitive advantages and owes much to the decentralised way the business is run.

The Dundee plant's autonomy is enshrined in the "charter" it was granted for financial self-service products in

Exploiting national differences Why subsidiaries should be kept on a loose rein

By Michael Skapinker

When, in 1986, a group of British researchers set out to investigate what skills managers would need in the future, they decided to look at 10 successful European companies.

By the time they came to write a book on their findings, two of the companies - Jaguar and Norsk Data - had run into trouble.

The two companies' difficulties and a warning to managers that they should not be lulled by their problems. One point which the executives quoted in this book stressed repeatedly is that successful companies never stand still. "The future," says Sir Denis Henderson, chairman of ICI, "is a constantly moving target."

The research for this book was carried out by Ashridge Management College and the Foundation for Management Education. The researchers published an interim report last year, *Management for the Future*, which recommended that companies should show their staff with "tough love" - a combination of hard-nosed business sense and regard for employees' feelings.

Their more detailed book, *Shaping the Corporate Future*, pays particular attention to the difficulties which European companies face when attempting to become more international.

Many European companies feel the need to expand abroad. Their national markets are too limited to support their ambitions. ICI's Henderson says that his group had to become international "not because we are anti-UK but because the UK is too small. To develop a new drug, for example, you may have to spend up to £150m, and there is no way you can recoup that investment on sales to the UK."

Those that have set up operations abroad now see it as important to delegate more responsibility to their subsidiaries in different countries. (Some US multinationals have reached similar conclusions. See the experience of NCR, reported on this page today.) Local managers have a shrewder idea of what their own

markets need and are in a better position to spot changes in customer preference.

The organisations featured in this book also recognise that their national companies have different ways of doing things and that they should not attempt to impose a uniform management style on them. An executive at BMW says that "unlike IBM, our aim is not to have a situation that, wherever you go in the world, everything is the same."

Accor, the French hotel and restaurant group, says its operations in Germany are run differently from those in France. Its West German interests are run in a very centralised fashion, in France its businesses are more loosely managed.

On the other hand - and ICI became international 'not because we are anti-UK, but because the UK is too small'

greater autonomy while at the same time improving co-ordination between them?

ICI says group headquarters acts "as a catalyst and as a resource to get people to think through various options and their implications."

Several of the companies looked to new technology to improve the flow of information between subsidiaries. Some reports have said that British companies had fallen behind their international competitors in the use of information technology. The Ashridge researchers, however, said they were impressed with the focused way in which Jaguar, Shell UK, ICI and J.C. Bamford Excavators used IT.

Companies like Electrolux and ICI believe that a cadre of mobile international managers could be the "glue" that holds their disparate groups together. An Electrolux executive believes "we should have top managers who can operate divergently, who are as sure of themselves in New York as in Paris." Rather than representing a particular country, these international managers act on behalf of the group.

Electrolux researchers come up against another difficulty. Not all managers are happy to spend all their time travelling. Some companies say that the number of managers prepared to uproot themselves and their families to take up a foreign posting is getting smaller. A manager at Shell UK told the Ashridge researchers that managers today were less willing to move to other countries because their wives had their own careers and because they were reluctant to put their children in boarding schools.

The book suggests sending managers on shorter foreign assignments, perhaps no more than a few months. Another idea is to give managers operational control of different countries when they are still young and have fewer family responsibilities.

*Shaping the Corporate Future, by Kevin Barham and Choe Rossom. Unwin Hyman, £12.95. To be published on July 27.

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SPERRIN INVESTMENTS LTD - IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to section 492 of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of Cork Gully, Chartered Accountants, 100 Great Victoria Street, Belfast BT2 7AX at 11.00 am on Thursday 27 July 1989 for the purpose of having laid before it a copy of the report prepared by the administrative receiver under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

- they have delivered to me at the address shown above, no later than 12.00 noon on Wednesday 25 July 1989, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
- there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Date: 6 July 1989

John Ross
Administrative Receiver
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Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receiver at the address shown above.

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John Ross
Administrative Receiver
Siemena Textiles Ltd - In Receivership

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Creditors are only entitled to vote if:

- they have delivered to me at the address shown above, no later than 12.00 noon on Wednesday 25 July 1989, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
- there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Date: 6 July 1989

John Ross
Administrative Receiver
Scoreline Promotions Limited - In Receivership

Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receiver at the address shown above.

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Date of appointment of administrative receiver: 28 June 1989

1) Admin: Barbara Lindsay
2) Advmt: Capital Limited
3) Legal & General: Assurance Society Ltd

4) Investors in Industry plc
5) Symbolion Inc, Roger William Cook, Administrative Receiver (office holder) 165M of Cork Gully, Shaftesbury House, 3 North Street, London EC2V 7DQ.

COMPANY NOTICES

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(Incorporated in Malaysia)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company will be held at the Kuala Lumpur, Basement 2, Shangri-La Hotel, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, on Wednesday, 9th August, 1989, at 11.30 a.m. for the following purposes:

- To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March, 1989, and for the Report of the Auditors.
- To declare dividends.
- To approve the Directors' remuneration for the year ended 31st March, 1989.
- To re-elect a Director.
- To consider and, if thought fit, pass the following Resolution as a Special Resolution pursuant to Section 120(3) of the Companies Act, 1965: "That pursuant to Section 120(3) of the Companies Act, 1965, Tan Seng Guan be re-elected as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
- To appoint auditors and to authorize the Directors to fix their remuneration.
- To transact any other ordinary business of the Company.

By order of the Board
Mehd. Nadzir Muzaffar
Secretary

Kuala Lumpur, 10th July, 1989

NOTES:

- A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to attend and vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote. The instrument appointing a proxy must be deposited at the Company's office not less than 48 hours before the time for holding the meeting or any adjournment thereof.
- If the dividends are approved at the Annual General Meeting, it is intended that the warrants be payable on 2nd January, 1990, to shareholders registered in the books of the Company on the close of business on 1st December, 1989.
- There are no contracts of service between the Directors and the Company.

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Pursuant to Section 491(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that Mr. M.C. Whittall and I D Williams of Grant Thornton, Chartered Accountants, 100 Great Victoria Street, London W1V 7SP were appointed Joint Administrative Receivers of the above company on 16 June 1989 by TSB Bank plc.

M.C. Whittall
Joint Administrative Receiver

I D Williams
Joint Administrative Receiver

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ARTS

Romeo and Juliet

COLISEUM

As a second offering in its season, the Bolshoy Ballet has brought Romeo and Juliet...

Grigorovich is not concerned with narrative, aiming rather at an abstraction of Shakespeare's drama...



Clement Crisp Natalya Bessmertnova

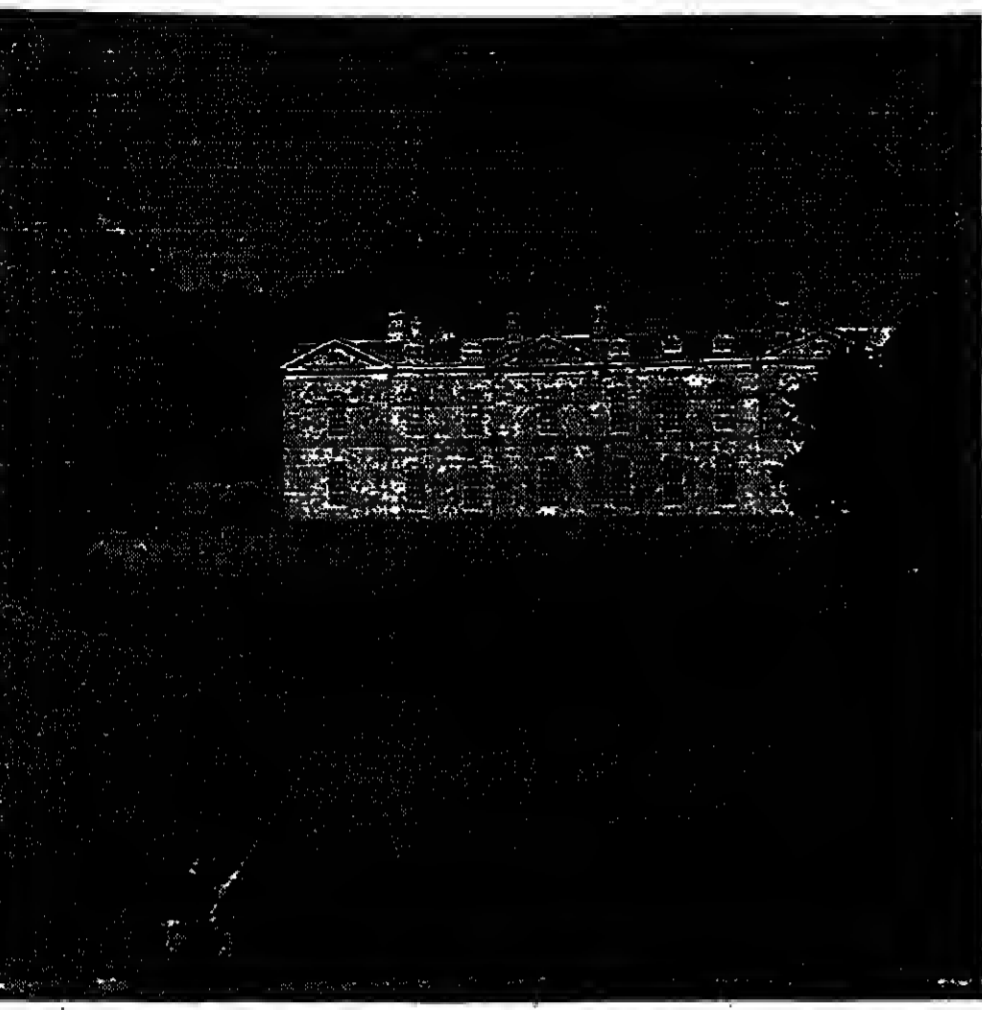
The Long Way Round

COTTESLOE THEATRE

The Austrian-horn, and in turn German, French and again Austrian-domiciled Peter Handke is perhaps best known in this country for his screenplays...

The protagonist, "full of compassion but who can't abide people's weaknesses", seeks out his brother on a building site...

Inconsequential poetry: the man wounded by a lance eating a banana preached a sermon nobody understood...



The 18th-century house and Capability Brown park at Compton Verney: the scheme must respond to the historic landscape

ARCHITECTURE

Opera in the park

Colin Amery on the Compton Verney shortlist

Architectural competitions breed excitement, controversy and sometimes produce good results...

The six short-listed architects were interviewed in London last week. Interestingly enough, they had all met together with the client some months ago...

roofed buildings contrasted with a glass drum. James Stirling now has his own language and does not seem to have altered it particularly in this difficult site...

A Whistle in the Dark

ROYAL COURT

Thomas Murphy's brutal 1962 play about a clan of Irish immigrants in Coventry was powerfully revived by Garry Hynes...

The play's final act moves from the maudlin poetic evocations of Big Dada, explaining his absence from the fray...



Dermot Crowley

his Moscow troupe have been itinerant now for nearly two years, but it seemed a particularly inspired move to occupy the deco folly at Exton...

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ARTS GUIDE

MUSIC

London Concert Orchestra conducted by Barry Wordsworth with Stephanie Grey (violin)...

Paris Carl Maria von Weber's chamber music, concert and discussion...

Summer festivals in France Orange is de la Seine in the Paris region...

Guthery Piano Festival, July 2-7 July 13 (02026500)...

Brussels BET Philharmonic Orchestra conducted by Bernard Tuby...

Paris RTT Philharmonic Orchestra conducted by Bernard Tuby...

East West Music Festival until July 16. A local politician proposed an 'East meets West' festival...

on Russia. Among those appearing are the Dresden Philharmonic Orchestra, Fesena Baroque Orchestra...

Vienna Wiener Mozart Orchestra in period costume...

Rome Santa Cecilia Orchestra conducted by Carlo Rizzi...

Chicago Ravinia Festival. Beaux Arts Trio plays the complete piano trios of Beethoven...

Chicago Chicago Symphony conducted by James Conlon...

Chicago Chicago Symphony conducted by James Conlon...

Tokyo Shinsei Nihon Symphony Orchestra conducted by Ondrej Lazar...

Chicago Chicago Symphony conducted by James Conlon...

Race is on for the Pru

The finalists have been selected and the race is on for the Prudential Arts Award for 1989...

Other winners were Annabel Arden for her role in the television programme 21-70...

The only finalist from outside London is Communicado Theatre of Edinburgh...

A.T.

Monday July 10 1989

Western aid for Poland

MONEY is not everything. President George Bush will tell his Polish and Hungarian hosts this week. They will think this is the rich West weaseling its way out of backing the democracy it wants with the money it does not want to give. Indeed, the West should part with more money than it is planning to. But much more is needed.

On present trends, the east European reformers - particularly the increasingly desperate Poles - cannot expect very much. The IMF, which has had a borrowed crawl over the Polish economy recently, wants no part of the new Marshall Plan which has been talked up in both east and west European circles. The World Bank has some \$300m earmarked for projects, but that is all. The Paris Club of Western governments will reschedule its \$25bn share of Poland's \$93bn debt, which probably means forgetting about it, or - as West Germany has already promised to do with the \$500m special loan it has been haggling over for some time - converting it into some kind of foreign-owned capital within Poland. President Bush will push the Paris Club towards rescheduling before the IMF agrees a programme with Poland - a rare concession for a country in this shape. But no big gestures can be expected.

Hopeful hosts

President Bush's trips have been taken down in advance by US officials who have realised that his hosts are looking for much more than they are thinking of giving. For its part, the US is anxious to pass the parcel to western Europe, whose politicians have talked about how much they like the new freedoms being developed across the border and whose backyard it is.

Should western Europe pick up the challenge? Yes, but on conditions. Neither Poland nor Hungary are any longer properly governed by their Communist Parties, nor are they proper command economies. Both were in the 1970s. Then the West shovelled in money, accepting the countries' own estimates that the heavy industry created would pay back the interest

and capital and then some. Now, both the reformers and the opposition in these countries are looking to integrate their economies as fast and as far as possible into that of western Europe. They have thrown their eggs into the Westernising basket, and the reformers have gambled so heavily on the success of this strategy, that if it fails, they have nowhere else to go. For this, reactionaries are waiting.

Sceptical masses

The West's help is needed to assist these economies get out of the trough in which they are wallowing. They need some government-to-government aid: plenty of private projects; a lot of expertise if they do not get it, the mass of people who wait with a well-founded scepticism for something different to happen will conclude that this is merely one more trick to keep the regime in power, and seek to destroy reformers and conservative allies.

Of course that help must be severely conditional. Additional capital will load these countries down with yet more deadweight debt, unless it serves as midwife to the birth of a market economy. Used as a vehicle for cajoling the Poles and Hungarians in that direction, such assistance would prove to be commercial in a way in which the 1970s "international realties" (the Soviet Union) could never allow.

Political pluralism has been linked, by the Poles and Hungarians themselves, to the market. They are right. A properly functioning market needs the rule of law, the primacy of the law over Party, which underpins both commercial and individual freedom. The emergence of the market will need planning, but the first step - the establishment of clear property rights - is inescapable.

The east European reformers ask us to put our money and our expertise where our mouths have long been. We should do so, but only once we are sure that they, too, are engaging more than just their mouths.

Policing in the 1990s

SIR PETER Imbert, the Commissioner of the Metropolitan Police, last week put his weight behind calls for a reform of the structure of Britain's police services. The degree of decentralisation, he suggested, is no longer efficient in view of the growing sophistication of organised crime and the moves towards greater European integration.

At first sight, the structure of Britain's police service looks hard to defend. In England and Wales there are 43 independent police forces with different policies and practices. The biggest - the Metropolitan Police - is responsible for the London area, but not for the square mile of the City of London, which has its own tiny force. The local forces are supported by a hodge-podge of umbrella agencies such as the Regional Crime Squad, the National Drugs Intelligence Unit and the Serious Fraud Office.

Mr John Wheeler, the chairman of the House of Commons Home Affairs Select Committee, has argued for the creation of just six regional police forces. In most European countries, he points out, if you ask what is the policy for dealing with a certain type of crime, you get a single answer. But in Britain you get 43 answers from 43 different chief constables. Several senior police officers see the fragmentation of the British police service as an obstacle to greater co-operation with European forces which will be necessary as barriers to the movement of goods and people are removed.

Organised crime

Sir Peter is concerned not with European integration per se but with the challenge it presents in conjunction with changes in the nature of organised crime. In the 1960s and 1970s, he says, organised crime was mainly the preserve of particular criminal families and their associates. The response to such criminals, who regularly crossed metropolitan and county boundaries, was the creation of the Regional Crime Squads.

But the surge in drug smuggling in the 1980s led to a change in the scale and sophistication of organised crime. Criminal elements in different countries forged links and began to operate internation-

ally and along strict business lines. In the large groups, individuals specialise in operations (acquisition, marketing and distribution) while other professionals provide support services (finance, accountancy and legal). The money laundering schemes devised are gradually penetrating and corrupting legitimate businesses and financial institutions.

Soft touch

Such groups, suggests Sir Peter, will establish themselves wherever jurisdictions are least able to curb their activities. Britain, attractive because it is part of the lucrative European market place, stands out as a particularly soft touch. There is no national strategy for fighting organised crime, no agency comparable with the US Federal Bureau of Investigation. Many of the 43 separate police forces have neither the resources nor expertise to mount prolonged and complex investigations.

The arguments in favour of rationalisation of Britain's police service thus look strong. Yet there are also strong reasons for maintaining the status quo. The lesson of the 1980s has been that the effective fighting of ordinary crime - muggings, burglaries and robberies - requires the active participation of local communities. Individual forces attuned to local needs and accountable to local people are likely to be more efficient in combatting such crimes than a remote monolithic force. When so much else is being centralised, it is also reassuring to know that operational responsibility for law and order is dispersed.

Sir Peter accepts this and does not argue for a national police force or even for regional mergers. His point is that a sharp distinction must be drawn between ordinary street crime, which the British police are relatively well placed to combat, and international organised crime, which is well beyond the competence of many local forces. The seriousness of this threat is hard for outsiders to assess; but if Sir Peter's anxiety is well-founded the case for some form of national detection agency, embracing bodies such as the Regional Crime Squads and the National Drugs Intelligence Unit, looks strong.

"MADRID got us off the drawing board and on to the building site, rejoiced a senior European Commission official after last month's EC summit in the Spanish capital.

But there is precious little agreement on what the final edifice of economic and monetary union (Emu) should look like, even though the chief engineers - finance ministers of the Twelve - today hold their first discussion about the construction schedule.

This is because there is no single blueprint for the whole Emu process. All EC leaders, including Mrs Margaret Thatcher, agreed that a first phase of closer economic and monetary co-operation should follow that outlined in the Delors report, and that it should start on July 1 1990, the deadline for removal of all capital controls in most EC countries. But there was no consensus on the content or timing of subsequent stages - only that work on such stages should start now to lay the ground for a treaty-revising conference of the 12 governments, and that "the conference would meet once the first stage had begun and would be preceded by full and adequate preparation."

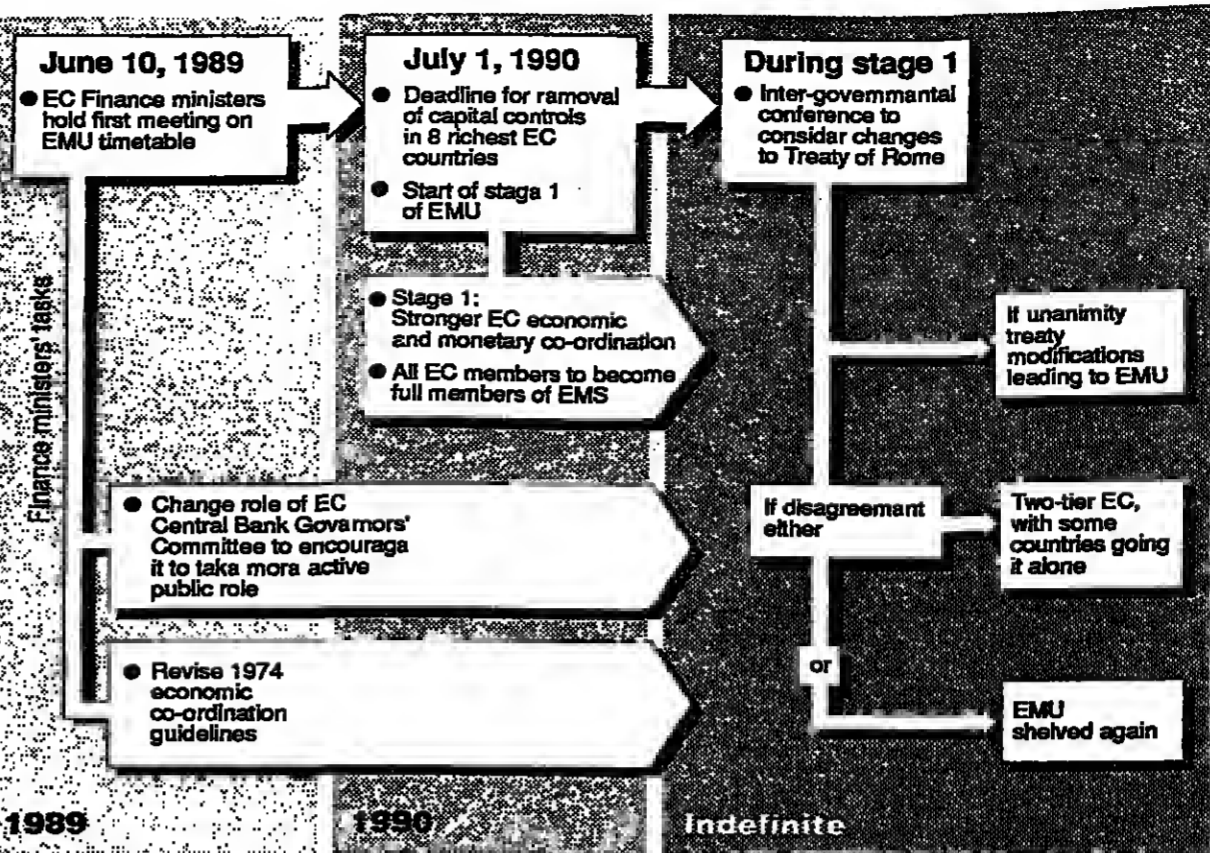
To listen to President Mitterrand at Madrid, one could imagine he would be happy to see the inter-governmental conference convene on July 2 1990 - the first day possible under the Madrid timetable - and finish on July 3. On the other extreme, Mrs Thatcher would be quite content to see an inter-governmental conference postponed until the next century. Most other leaders seem to envisage it coming some time in the early to mid-1990s. Compounding this is the fact that treaty revision requires unanimity among the Twelve.

Clearly, though, there is now a considerable head of political steam to change the monetary status quo in Europe. It is generated by two main concerns. One is the increasing restiveness of France and Italy that, valuable though their membership of the European Monetary System (EMS) has been in damping their inflation, they have little say in an EMS in practice run by the West German Bundesbank and the French Trésor. Pressure, aided and abetted by Mr Hans Dietrich Genscher, the West German foreign minister (interested in a heavier West European anchor for his diplomatic overtures to Eastern Europe) that was instrumental in setting up the Delors monetary study group a year ago.

The second, more general concern is the EMS parity grid to hold together, within their various margins, after July 1 next year when the eight richest of the 12 member states are committed to removing all controls on the movement of money. France continues to make occasional threats to renege on its commitment unless it gets some safeguards against the flight of tax-shy money. Italy faces a biggest adjustment problem because its chronic budget deficits have been financed largely out of captive domestic savings. Neither country, however, could back out of its liberalisation pledge without totally undermining its campaign for faster movement towards monetary union.

But stage one of the Delors plan could well herald a rougher ride for the EMS, if capital liberalisation is combined with participation of all currencies, including sterling, in the system, and if both coincide with what now looks to be an end to a long period of economic convergence between the Twelve. Therefore, a number of governments - not only in Paris and Rome, but also in Brussels and Madrid - seem to want some assurance that, however unpleasant stage one, it will lead quite quickly to a further phase in which they will be able to renege on their monetary policy-making power they have increasingly lost to the EMS's ringmasters at the Bundesbank in Frank-

David Buchan begins a series on the EC's Madrid summit decision on monetary union



Building from a disputed blueprint

President Mitterrand appeared to be seeking just such an assurance when he vainly tried at the Madrid summit to attach some precise date to the calling of the inter-governmental conference.

If the European Community is to get further than a first stage move to Emu - of which it has had plenty in the past - then a number of common mists will have to be made. The most important of these is the degree to which co-ordination of economic policy must match that of monetary policy. Mrs Thatcher has said this would be "the biggest transfer of sovereignty we've ever had" and warned, probably rightly, that the British House of Commons would never accept it.

The issue arises, in fact, even in the preparations for the first stage. As part of this, EC finance ministers are to revise two earlier decisions, and the new French presidency has said it wants the revisions done by the end of this year. The 1984 decision creating the EC Central Bank Governors Committee is to be changed to encourage it to take a more active, and more public, role in formulating an overall monetary and exchange rate policy, and in expressing, perhaps publicly, opinions to individual governments and the EC Council of Ministers as a whole. The committee might also, if the Delors suggestions are followed, submit an annual report to EC summits and to the European Parliament.

If finance ministers agree to let their central bankers take a more public role - and if the latter adjust to the glare of the limelight, the rest may be relatively easy. For co-ordination is now second nature to Com-

munity central bankers. Even if it was not already, integration of the EC financial market makes it so. In one of the most revealing passages of its report, the central bankers dominated Delors committee wrote: "Once every banking institution in the Community is free to accept deposits from, and to grant loans to, any customer in the Community and in any of the national currencies, the large degree of territorial coincidence between a national bank's area of jurisdiction, the area in which its currency is used and the area in which 'its' banking system operates will be lost."

Similar economic policy co-ordination between finance ministers is quite a different matter. Their immediate task, in stage one, is to revise their 1974 decision "on the attainment of a high degree of convergence of the economic policies" of the member states. This set out a ludicrously detailed procedure whereby the Council would three times a year set out budget targets for individual countries to follow. It was a spillover of the rhetoric of the over-ambitious 1970 Werner plan for Emu within a decade,

a reflection of the then uniform belief in Keynesian demand management and fine-tuning, and a mark of an initial desire of member states to huddle together against the impact of the 1973 oil price shock. It has never been followed. If it were, then today's EC finance ministers meeting, which will get one of the Commission's three-yearly economic reports (required under the 1974 decision), would put Italy, Greece, Belgium, Ireland and Portugal in the dock for their 1989 budget deficits.

Presumably, the aim of revising the 1974 decision is to relax the economic co-ordination guidelines so as to make them more realistic, and thus to make them stick. The only problem is that later stages of the Delors plan call for precisely this kind of tight co-ordination, and eventually "directly enforceable decisions" - to impose constraints on national budgets. This is the sort of language that makes Mrs Thatcher bridle, and makes finance ministers and Treasury officials in several EC states feel that the central bankers took leave of their political senses in writing it into the Delors report. Even Belgium, enthusiastic as it is in favour of the Delors report, has discovered that the report recommends a greater central EC control over member states' budgets than the Belgian state now has over the regional budgets of Flanders, Wallonia and Brussels.

In saying that his committee's report should not be taken as the bible, Mr Delors has suggested that its proposed economic rules could be made "less binding." This is hardly surprising, since some of the stipula-

tions about matching economic co-ordination were written into the report at the insistence of Mr Karl Otto Pöhl, the Bundesbank president, and against Mr Delors' will.

However, it is most unlikely that the Commission, or many other member states, would go as far as to endorse the sort of looser plan - Community co-ordination of monetary policy but with retained national control over taxing and spending - that Mrs Thatcher looks likely to present to any inter-governmental conference. In pondering Emu over the years, the Commission has looked at many federal systems around the world. Its general conclusion is that, except in Australia, individual states can, and do, retain independence in setting borrowing, spending and taxation. On the other hand, all other federations (the US, Canada, West Germany, Switzerland) have much larger central budgets than the Community, which after a doubling of EC structural aid to poorer regions in four years time will only reach perhaps 3 per cent of Community gross domestic product. Therefore, as one Commission official puts it, the Community needs to "mimic" the macroeconomic effect of other federations' large central budgets by getting its 12 member states to co-ordinate their budgetary positions.

There are three other challenges posed by the Delors report. The first is its call - endorsed very explicitly at the Madrid summit by the leaders of Portugal, Greece and Ireland - for a still greater transfer of resources from rich to poor countries or regions inside a European economic and monetary union. West Germany and the Netherlands, even more than the UK (which is a partial beneficiary of such aid), are strongly opposed to this.

The second is its call for a strengthened competition policy, of which Mrs Thatcher has emerged as the keenest supporter. The issue here is not private business restrictive practices or cartels, but state aids to companies which governments might well be tempted to step up, once exchange rate adjustments disappear as a means of boosting their exports. The Commission, under its competition chief, Sir Leon Brittan, is cracking down on state aids, but they remain a considerable problem in countries such as West Germany or Italy.

The third is the call for "wage flexibility and labour mobility... to eliminate differences in competitiveness" among member states. The Commission needs to ask itself whether its proposals will be served by the Commission's proposed social charter. Some of the charter's aims would clearly enhance labour mobility, such as greater transferability of pension rights; others, like a uniform minimum working age, might reduce certain countries' competitiveness. For instance, socially laudable though it would be for young Portuguese to start work at 16, instead of at 14 (as they can at present), raising the minimum by two years to conform with the proposed charter could well pose problems for Portugal's economy.

In the short term, the rate of progress towards Emu will be determined by how rough a ride stage one proves to be. The rougher it is, the more the predominantly southern Latin camp will want to move ahead to institutional change, but the more the northern countries will shrink from that. Progress in the longer term depends on finding a common balance between economic and monetary policy co-ordination.

At the end of the road lies the question of the democratic accountability of whatever new institutions are created at Community level. The European Parliament seems the only logical instrument. But it would indeed mean a massive transfer of power from national legislatures to Strasbourg. This underscores the real point that Mr Pöhl seems to be making: economic and monetary union comes very close to political union.

Rallying to the women

Parting thought from Wimbledon in terms of entertainment value, the gap between top class women's singles and the men appears to be widening - in favour of the women.

Not only are men's singles often interminably long, dominating the day's programme in a way which disappoints at least some centre court visitors: there is also a robot-like quality about some of the men's matches which contrasts with the variety and grace of the women. The semi-final between Becker and Lendl, for instance, was the familiar crash-bang routine - big serve, big return, with no margin for error. On a rare occasion when more than two strokes were played, there were some exciting moments, but it was more a matter of desperate dives and lunges than a carefully-crafted rally.

The Graf-Navratilova match, though played at high speed, has genuine qualities, in which the players probed for each other's weaknesses, waited for the right moment to attack the net and applied some thought and imagination to the game. Perhaps the men need another Borg to re-establish the virtues of ground strokes strong enough to undermine the tedious technique of serve-volley. Until then, the women deserve pride of place.

Tory past

Not Always with the Pack, the memoirs of the Tory MP, Dennis Walters, will be reviewed in its proper place. But it contains at least one story worth telling separately. Walters was the assistant to Lord Halsbam when the latter was Chairman of the party. Halsbam wanted to secure a seat for Peter Goldman, the Director of the Conservative Political Centre, and when Fin-

OBSERVER

chley came up for the 1989 general election, he got him on the short list. Another candidate was Margaret Thatcher, of whom Halsbam had never heard, but he agreed that she looked all right on paper. In that most Jewish of constinencies, the outgoing MP then complained volubly to Central Office: "You're asking us to choose between a bloody Jew and a bloody woman."

Fiat Chair

Almost nothing is quite as smooth as Anglo-Italian relations at their best. Witness the way Fiat has just put up \$700,000 to maintain the Serena Chair in Italian Studies at the University of Oxford. The chair had been vacant since 1967, when Professor Cecil Grayson retired after holding it for nearly 30 years.

Free French

France can be rather generous about harbouring political dissidents, but the country does not always win many thanks. The Ayatollah Khomeini, the recently deceased spiritual leader of Iran, enjoyed French hospitality during the



"What did you do during the summer of discontent, Daddy?"

ests from London since 1971. Antonelli does not like the idea of so many of his countrymen flocking to Harvard and other top US universities to complete their education. He reckons they return schooled to think as Americans, not as Europeans. Oxford is his preference.

Antonelli also has rather good contacts. He was a boyhood friend of Gianni Agnelli, the head of Fiat. A telephone call was made and, Antonelli says, "the reply was very quick." The Oxford Chair of Italian Studies will now be known as the Fiat Serena Chair.

Right of reply

Peter Clark of the Ogilvy Group disputes my anecdotal evidence (offered last Friday) that no-one seems to be blaming the unions for the current spate of transport strikes. He writes: "I blame the unions. My brothers blame the unions. People down the pub blame unions for the strikes. Obviously management shares this blame, but they have not decided to make the general public hostages to their own intransigence. As I was saying down the pub last night, I would like to see the lot of them, management and work force."

Low Church

From a Norfolk parish magazine: "Members who have borrowed novels from the library in the Church Hall are asked to return them at their earliest convenience as our fiction is very low and there is a great demand for it."

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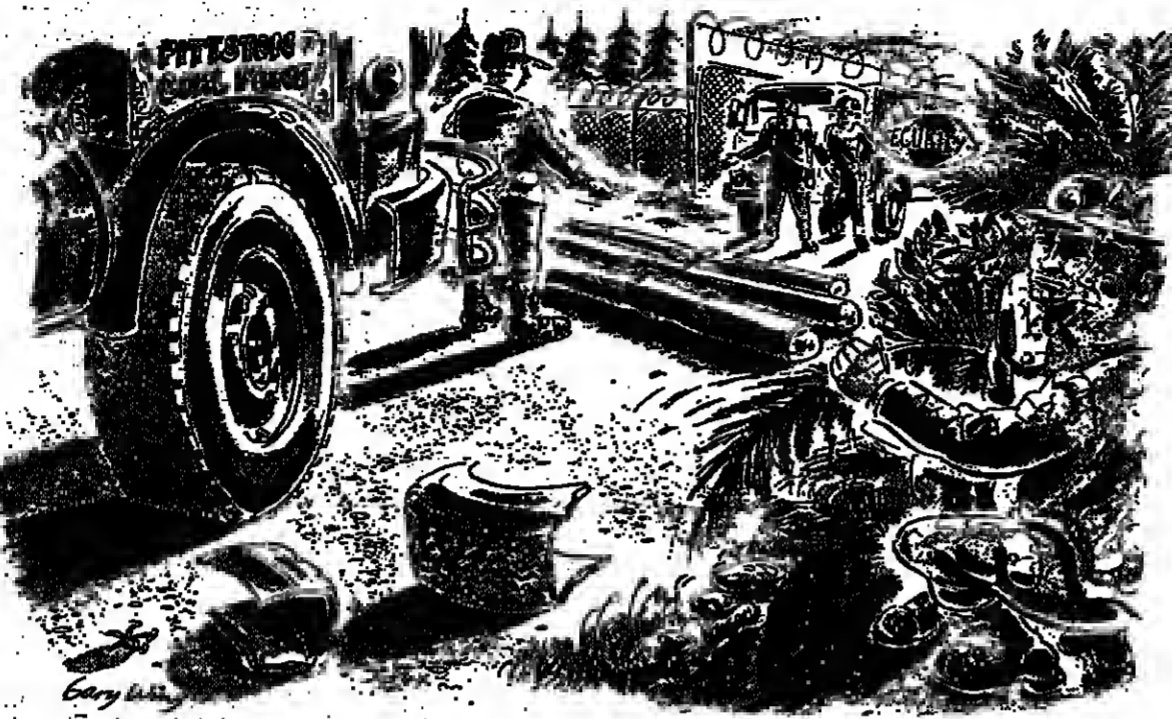
The miners' strike in Virginia has degenerated into an industrial war, reports James Buchan

A marriage of coal and violence

In the stifling green valleys of south-western Virginia, you can tell there is a war on because the only people you see are in uniform. The men and women on strike since April from the Pittston coal mines wear camouflage fatigues and so do their children. The private security men hired by Pittston wear tight blue jump-suits and peaked caps. The state troopers dress like state troopers.

"I'll tell you why these guys wear camouflage," says a local strike supporter, as he drives a steady 12 miles an hour past the entrance to the McClure No. 1 mine. "First, if you have three or four hundred miners lined up at the mine entrance and maybe a guy chucks a jack-rock in the highway, the state troopers can't tell who from who. Second, you can have some concealment in the timber up the back of the mine."

A jack-rock is a piece of four three-inch nails bent and welded at the centre, like the child's game of jacks only bigger. Unlike a toy jack, it will rip the tyre clean off a coal truck. Pieces of tyre lie in clumps of dry-needles along the McClure Creek. The miners' other weapon is what Mr Mike Odum, president of the Pittston Coal Group calls a "rolling blockade" of his coal trucks and this is why we are driving at 12 miles an hour along the narrow lane above the mine.



At heart, the union fears that if Pittston succeeds, the bigger companies in the industry bargaining group — such as Amex or Peabody Coal — may follow suit. Already, the union share of coal mined in the US has fallen to less than half as big open-pit operations in the non-union west have taken a large piece of the steam coal market. "It is quite clear they are trying to break the union," Mr Corcoran says.

But the mountain people have presented Mr Richard Trunka, the miners' president, with a perplexing challenge. Since taking over in 1982, Mr Trunka, a 39-year-old lawyer, has brought stability to an organisation which spent the 1960s and 1970s in a series of vicious internal battles. An adept and imaginative negotiator, Mr Trunka secured two new wage contracts from the mineowners' group without the disruptions that had been an inseparable part of the coal bargaining round.

Trees are felled across the road. Scab drivers have been beaten up. A coal truck was hit by small arms fire on June 9. Somebody fire-bombed a mine supervisor's pick-up on June 26. Nine of the miners have ended up in hospital, one greeted by a bullet, the others hit by vehicles. Mr Joe Lee Baker, publisher of the Cumberland Times in nearby Clintwood, says: "Somebody is about to get killed round here."

Some 30,000 miners in West Virginia, Kentucky, Tennessee, Indiana, Illinois and Pennsylvania have walked off the job in sympathy wild-cat strikes. Groups of steelworkers, who are growing increasingly restive as the health of their industry has improved, have been on the picket lines near McClure No. 1.

Mr John Long, a United Steelworkers official, said: "This strike is a family affair. If it's their turn now, it will be us next." A miner from Armstrong County, Pennsylvania, says: "This is like them air traffic controllers Reagan fired. We're fighting for our life."

This battle is causing some to see a new militancy among US working people after the Reagan era humiliations. long and bitter as Mr Vance predicted. Pittston, a medium-sized conglomerate based in the New York suburbs, let the industry's bargaining group, the Bituminous Coal Operators Association as long ago as 1986. It is demanding more "flexible" operations to help it compete in international markets for the metallurgical coal it mines from Appalachia. It says it wants compulsory overtime and a Sunday shift, the right to contract more work to non-union operators and lower contributions to health and pension schemes.

Mr Odum, a 39-year-old mining engineer, says: "We are quite different from the BCOA companies. Two-thirds of our total production goes outside the US to the world steel industry and we have to compete with every company in the world on tons and price. When you are out trying to sell a lump of coal abroad, the first thing the customer asks you is: Is it union or non-union? If it's union, well, it's clear they think that's not a reliable source."

The union says Pittston is a corporate bully which is unravelling the web of health and pension benefits which the union negotiated with the Federal government in the late 1940s. It is demolishing job security in one of the most insecure occupations of all. And the company, which has diversified out of coal into such businesses as Brinks security and Burlington Air Express freight, has completely let loose with Appalachia.

Coal and violence have always been inseparable in the US. More than 100,000 men have died in American coal mines over the years, seven of them in an explosion at the mine at McClure No. 1 in 1988. Many more died in the bloody struggles to organise the men into United Mine Workers of America.

The deep gorges of Russell and Dickenson Counties resisted union organisers in the 1930s and 1940s but they are now fighting Pittston with a cunning that has startled and impressed union people in Washing-

ton. "The mountain people may not necessarily be meaner than hell," says Mr Baker, who is 62 and a former miner and lawyer. "But it's a mistake to mess with their livelihoods."

This remote battle has struck a deep chord in other miners' unions and is causing some people to see a new militancy among US working people after the humiliations of the Reagan era.

Mr Odum, a 39-year-old mining engineer, says: "We are quite different from the BCOA companies. Two-thirds of our total production goes outside the US to the world steel industry and we have to compete with every company in the world on tons and price. When you are out trying to sell a lump of coal abroad, the first thing the customer asks you is: Is it union or non-union? If it's union, well, it's clear they think that's not a reliable source."

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LOMBARD

Cheap money is bad for you

By Richard Lambert

ATTEMPTS to speed up economic growth by subsidising interest rates so as to encourage a higher rate of spending on plant and capital equipment are likely to end in tears.

This is the conclusion of an analysis in the World Bank's latest World Development Report, and it contains important messages for policy-makers in the industrialised as well as the developing world.

A study of how 33 developing countries performed between 1974 and 1985 suggests that in many cases artificially low interest rates were actually an obstacle to economic progress. Examples of some of the larger countries are shown in the chart below.

Moreover, although the figures show that there is a link between the rate of capital investment and economic growth, it is rather a weak one. What matters far more is the productivity of that new investment: how efficiently the equipment is used, and what can be squeezed out of it.

The growth rate of those countries with positive real interest rates was considerably higher on average than the others. Why should this be?

One answer seems to be that positive interest rates encourage financial saving, and therefore lead to a build-up of liquid assets and liabilities within an economy. It is no coincidence that the poorest countries tend to be those with the lowest ratio of liquid liabilities (such as savings deposits) to their gross national product.

Provided that the system works efficiently — financiers select the right investments and managers know their jobs — the outcome of healthy savings levels should be that finance will flow to the most viable projects, thereby increasing the average productivity of investment.

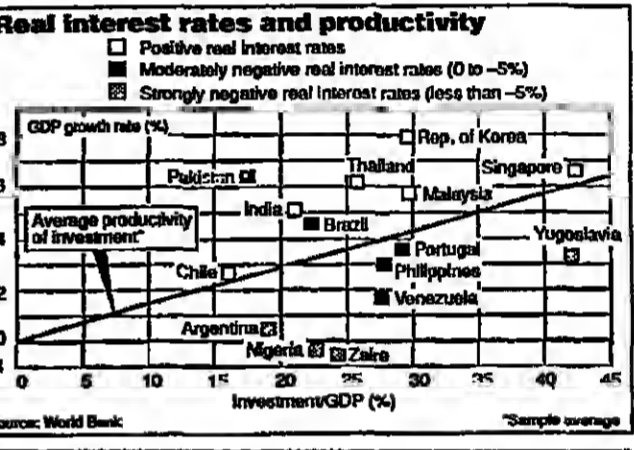
The study shows that positive interest rates appear to help growth mainly by improving the quality of investment rather than simply by increasing the quantity of capital spending.

Although the rate of investment was only 17 per cent higher in the countries with positive real rates, the average productivity of their investment was almost four times higher. If you have to pay a market rate for your money then you will want to be as sure as possible that you are going to get a market return on it.

It is also the case that many of the countries with positive real rates had more stable macroeconomic policies and more open trading systems than the rest, which would have had a positive impact on their growth.

By contrast, the countries which hammer their financial systems by pushing interest rates to artificially low levels often suffer serious distortions in other sectors of their economy as well, especially at times of high inflation.

All this does not mean that high real interest rates are necessarily good for you. But what does seem clear is that artificially low rates can poison an economy.



LETTERS

Reality is elsewhere

From Mr David Blunkett MP.
Sir, One aspect of the coverage given to the state of the British economy worries me very much. This is the tendency of commentators and "economic correspondents" to concentrate almost wholly on the City.

This is particularly marked in the broadcasting media, where such contributors would be better entitled "finance correspondents" to reflect the fact that they almost never refer to what is happening to the manufacturing industry, and seem to have no first-hand knowledge of production.

A recent BBC Radio 4 phone-in programme on the state of the UK economy began with an introduction which included the words: "and our

trade balance has slipped into deficit." A greater understatement could only be imagined with much difficulty.

It is very naive to presume that the real economy is about what we produce and sell, and about how much we will still be producing in 20 years' time? If half as much coverage was given to what was happening to the creation of wealth as is given to its manipulation, we might come closer to understanding why, with Piper Alpha out of action, our economy performs so badly in comparison with the Germans or Japanese.

David Blunkett, St Paul's Chambers, St Paul's Parade, South Yorkshire

Taken to the limit

From Mr Peter Brighton.
Sir, Will we never learn the lessons of post-war history? After years of decline, British engineering companies are now performing better than at any time in the past. Yet as soon as we begin to improve efficiency and pose any kind of challenge to our main competitors, we are threatened with selective strikes at some of our top exporting and most successful companies.

Despite earnings increases of 155 per cent in the past 10 years, double the improvement rate in productivity and easily on par with profit increases, union leaders are now demanding the lowest working week for manual engineering workers anywhere in the industrialised world — without any matching improvements in productivity.

Engineering companies want

their employees to share in success. We have already offered an hour and a half cut in the standard 39 hour week provided competitiveness is maintained and output unaffected. German, French, Japanese and US levels, a further cut in our competitiveness would be suicidal.

Union leaders say they want fewer hours, longer holidays, more pay. But these demands and their strike campaign will only produce fewer customers, fewer orders and fewer jobs in the UK. Will they never learn? Peter Brighton, Engineering Employers Federation, Tophill Street, SW2.

Grants for energy efficiency

From Mr William Gillis.
Sir, You carry a report of a reply to a parliamentary question by Mr David Trippier, Junior Environment Minister ("Pledge to low-paid," June 29).

Replying to a question about government action to help low income households keep warm, you report the Minister as saying that he was prepared to consider "a more flexible attitude" towards councils' borrowing limits.

But in recent weeks environment ministers have stated categorically that they are not prepared to increase local housing authorities' borrowing to fund energy efficiency improvements, or to make specific allocations for such improvements in the housing investment programme.

The situation now is that grants for energy efficiency measures through the homes insulation scheme and the energy grant have specific and separate allocations of finance and are funded 100 per cent by central government. From April 1990, local authorities will have to fund any grant aid for energy efficiency from their housing investment programme allocations, without any increase in those allocations.

Your article also states that ministers intend to introduce an amendment to the local government and housing bill to ensure council tenants and private tenants are treated equally.

It would be welcome news

indeed if the Government intended to include council tenants in those eligible for grant aid for energy efficiency measures, as they are under the present system.

However, one of the main principles behind the legislation is that local authorities should be responsible for improvements to their own properties, and council tenants have been specifically excluded from eligibility for all types of grant aid.

Much as those of us working to relieve the effects of fuel poverty would like to see your article signalled a change of government thinking on these key issues, I fear that the reality will be less palatable.

Given that there will be no additional funding or even specifically identified funding for energy efficiency measures and that council tenants will be excluded from grant aid, plus the fact that such grants will be discretionary, there are serious concerns about how many local authorities will make grants for energy efficiency measures available.

The danger is that the only equality between council tenants and those in the private sector will be the non-availability of grant aid for energy efficiency measures in large areas of the country.

William Gillis, Neighbourhood Energy Action, 2nd floor, 3/4 Bigg Market, Newcastle upon Tyne.

Banking on quality

From Mr Geoff Crocker.
Sir, David Lascelles (June 19) highlights quality in retail banking. How can customer satisfaction be low if stiff new competition stimulates banks' efforts to provide quality?

New products to woo transient customers leave most customers "brand loyal" because of the sheer slog of changing from one bank to another. Consumer interest suffers. A simple system of regulation is needed to clarify product definition and pricing.

Many new styles of customer account, and complex price differences between them, confuse the customer, who is thus unable to place funds or use services to best effect. This is to the advantage of the banks.

Bank prices are complex and arbitrary. All or nothing charges on personal accounts, and annual re-negotiation of overdraft facilities, cannot follow cost curves. A host of charges per type of debit — for overdraft arrangements and waiting letters, Eurocheque credits, and interest charges — interact with overdraft status to complicate the calculation of total consumer price.

"Products" are complex and variable. One kind may offer a standard monthly charge, no unit debit charge, a tranche of free overdraft — but no interest on current account balances. Another "free" credit-only banking with

interest payments on current account balances.

Product specifications change quickly. Considerable "bundling" also goes on in the areas of lower overdraft costs or "free" current accounts with a gold card. Even branch managers are known to hesitate when finding their way through this maze in order to sell a product to a customer.

This extensive tailoring of products is a device loaded in the banks' favour. Few customers will be able to take advantage of placement of funds between accounts. The average customer changes banks probably no more than twice a lifetime. Competition is a limited concept, despite building society entry to the sector.

Regulation could specify at least one standard service category against which banks should display their charges, much in the same way as petrol is currently graded with statutory standardised products and price displays.

Falling government regulation, voluntary codes of practice could emerge by persuasion. David Lascelles quotes a bank chief executive proclaiming the necessity, if not the virtues, of quality. Any takers? Geoff Crocker, Eastwood Lodge, Fulford, Wotton under Edge, Gloucestershire.

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A new law firm has joined the top-20 with the merger of Taylor Garrett and Joynson-Hicks into Taylor Joynson Garrett.

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FINANCIAL TIMES

Monday July 10 1989

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Janet Bush on Wall Street

Party givers throw off their weeds

"TO UNDERSCORE the informality of the occasion there had been placed, in the middle of each table, deep within the forest of crystal and silver, a basket woven from hardened vines in a highly rustic Appalachian Handicrafts manner. Wrapped around the vines on the outside of the basket, was a profusion of wild flowers. In the centre of the basket were massed three or four dozen poppies.

"This four-naif centerpiece was the trademark of Finck Thigg, the young florist, who would present the Bavardages with a bill for \$3,300 for this one dinner party."

The inspiration for Huck Thigg in Tom Wolfe's *The Bonfire of the Vanities* is widely believed to be Renny Reynolds, the doyen of New York party planners who dreams up extravaganzas for the rich and famous from a townhouse on the Upper East Side of Manhattan done up in designer-old Italian.

Mr Reynolds, dapperly dressed and charming, is proud to think that his skills have been immortalised in fiction but believes that Mr Wolfe's satire underestimated the extravagance of real life New Yorkers.

"There are people in New York who feel nothing about spending \$10,000 on flowers for a dinner party with 12 of their best chums," he says.

Mr Reynolds has been connecting lavish parties for 20 years, has on his list of regular clients many of the largest US corporations - General Motors and PepsiCo, for example - and several of the most prominent Wall Street investment banks.

The most notable aspect of corporate entertaining - apart from the prodigious amounts of money spent - is that many companies have thrown off their conservative weeds in favour of spectacle, opulence and sophistication.

"Corporations are moving away from brightly-lit rooms full of staid chrysanthemums and embracing a more romantic approach. Candles used to be too romantic for corporate entertaining but they are perfectly acceptable now," says Mr Reynolds.

Take the bash paid for by Dillon Read to celebrate the closing of a deal with a French chemical company. Mr Reynolds's team glided exotic fruits such as pineapples and artichokes and built them into positively decadent table decorations complete with soaring candelabra. A caricaturist was on hand to sketch portraits of the cigar-smoking executives who later treated everyone with a series of skits, highlighting comic moments during their negotiations.

"We wanted something elegant, yet masculine, with an eye towards French sophistication."

Sometimes, the most painstakingly planned events can go wrong. Mr Reynolds gave a deep sea flavour to a Merrill Lynch party held in the whale room of New York's Natural History Museum with each blue-clad table sporting orchid-filled fish tanks. "It was a disaster. There were quite a few no-shows and most people were too drunk to notice their table decorations," laughs Mr Reynolds. It was the evening of October 19, 1987.

Not every businessman believes in winning business through displays of opulence. Mr Bernard Leser, president of Conde Nast Publications, believes that it is inappropriate in his business to be flamboyant in a time of intense competition and cost pressures. He also believes that it is unnecessary.

"We do not believe that we win a single extra page of advertising if we take a person out to lunch or buy him a drink," Mr Leser says. "In our business, we rely on the quality of our product."

Business entertaining on Wall Street has, with only the smallest hiccup immediately after the 1987 stock market crash, remained on a steeply rising opulence curve.

The lavish private lifestyles of leading investment bankers has only served to encourage extravagance in the name of business.

"There are a lot of people on ego trips, perhaps more so in New York than elsewhere. But you still find flamboyant people in Europe who are very successful and like to wallow in the limelight. It's just that the Americans are less amiable about it."

The great mystery for Mr Reynolds is why the Japanese have not emerged as public party givers. Perhaps they prefer the discretion of the private clubs behind anonymous doors around Manhattan.

HK's law-drafting team in Peking

By Michael Murray in Hong Kong

SENIOR Hong Kong politicians have arrived in Peking for talks with Chinese leaders in the first formal contact between Peking and Hong Kong since the June 4 massacre of pro-democracy protesters.

The visit by members of the Hong Kong basic law drafting and consultative committees follows an invitation from Mr Ji Pengxi, director of the State Council's Hong Kong and Macau Affairs office.

The two sides are expected to discuss ways of bolstering stability in Hong Kong, where confidence has been badly shaken by recent events in China and the drafting of the basic law, the mini constitution which will govern Hong Kong after the Chinese takeover in 1997.

The Hong Kong delegation may also bear at first hand some of the criticism directed at the colony from Peking in the past few weeks with warn-

ings against it becoming a base for counter revolutionary activities aimed at China.

Work on the basic law draft was suspended locally in mid June, and a planned visit to Hong Kong a few weeks earlier by Mr Ji was also cancelled because of the crisis. Local legislators are now calling for an extension of the drafting process by one year.

The Hong Kong delegation includes Mr T.K. Ann, chairman of the consultative committee, as well as senior members Mr Wong Po-Yan and Mr David Li. They are scheduled to meet Mr Jiang Zemin, the new general secretary of the Chinese Communist Party.

Peking's complaints about Hong Kong were echoed over the weekend by Mr Xu Jiatun, director of the local New China news agency, China's de facto embassy in Hong Kong, in a speech delivered to Hong Kong delegates of the Chinese National People's Congress.

Mr Xu warned against subversive activities in the colony, and emphasised the need for both Britain and China to faithfully implement the Sino British Joint Declaration - a reference to calls made in some quarters in Hong Kong for the treaty to be renegotiated.

In spite of his warnings against meddling in China's affairs, Mr Xu's speech was in other parts seen as conciliatory in tone, promising that there would be no reprisals against Hong Kong people or locally based officials from Peking who took part in the huge pro-democracy protests, and underlining the desire in Peking to shore up confidence in Hong Kong's capitalist future under the "one country, two systems" doctrine.

Meanwhile, Mr David Howell, chairman of the British House Foreign Affairs Select Committee, suggested yesterday that Western nations could jointly solve the Hong Kong

problem by offering residence rights to its people if China broke its agreement on the colony's future.

He named the European Community, the US, Canada, Australia, Singapore and New Zealand as countries which he said could be asked to offer homes to Hong Kong people.

"We are talking about a set of assurances to all Hong Kong people to give them very good reason to stay there and prosper under the Chinese," Mr Howell said in a BBC radio interview.

Mr Stephen Cheung and Mr Leong Che-Hung, both members of the colony's legislative council, will arrive in London this morning to lobby MPs on the right of abode issue.

During his visit to Hong Kong early last week, Sir Geoffrey Howe, the British Foreign Secretary, ruled out any possibility of millions of full British passports being given to Hong Kong citizens.

Call for unity in wake of atrocity

Hugh Carney on the dilemma facing Israel's Labour Party

IRISH politicians often speak - usually in vain - of the need not to be dictated to by "the politics of the latest atrocity." The phrase would find a ready echo among leaders of Israel's Labour Party who meet today to consider whether to pull out of the coalition Government headed by Mr Yitzhak Shamir.

The meeting, prompted by headlines such as "The last week by Mr Shamir's Likud political grouping to his peace proposals for the occupied territories, was postponed from Thursday because of the attack on an Israeli bus by a Palestinian which claimed 14 lives.

The outrage caused by the attack was felt throughout the weekend and will inevitably colour the course taken by Labour. Yesterday, the coalition Cabinet united in condemnation of the bus incident, the worst of its kind for a decade, and in condemnation of a rash of retaliatory actions by Israelis that have followed.

On Saturday a Palestinian from the Gaza Strip was killed when his car was forced off the road in the Negev desert by Jewish stone-throwers. There were a number of other stone-throwing incidents, usually accompanied by shouts of "Death to Arabs," and angry outbursts at funerals of the crash victims. "The Government deplores irresponsible acts by Jews such as the stone-throwing of their hearts," the Government said. "These things must not occur."

Mr Shamir, already angered by US contacts with the Pales-



Israeli police arrest a demonstrator at the funeral yesterday of a victim of last week's bus crash

tine Liberation Organisation, expressed concern that Washington had failed to describe the bus attack as terrorism. He called on Labour not to leave the coalition. "It is not the time for a split; it's time for unity," he said, adding that Labour would be punished by the electorate if it brought down the government.

The dilemma for Labour is whether that risk - heightened by public reaction to the bus attack - outweighs the risk to its credibility posed by staying in harness with Mr Shamir, now that he is perceived seriously to have damaged the peace process. Its chief motive for joining the coalition was to advance

efforts to resolve the Palestinian uprising in the West Bank and Gaza, which entered its 20th month yesterday.

Two Labour ministers, Mr Ezra Weizman and Mr Moshe Shabab, have recommended that today's meeting of top party officials advise the policy-making body, the central committee, to agree an immediate pull-out. But another minister, Mr Mordechai Gur, said yesterday such a move would be "crazy" in the present circumstances.

This is almost certainly the advice Mr Yitzhak Rabin, the Defence Minister, will also offer. He occupies a key position as the Labour minister closest to Mr Shamir. His

recent partnership with the Prime Minister has been the main pillar of the bi-partisan peace initiative. Mr Rabin was stung by Mr Shamir's lurch to the right, but has said that more time was needed to see whether the plan had life left.

To decide otherwise now would indeed be to defy the politics of the latest atrocity. The Palestinian accused of the bus crash apparently acted to avenge alleged beating and imprisonment of his brothers by Israeli soldiers. Police and Arab sources told Renter in Jerusalem. Abdel Hadi Salman Rassem Ghanem, 23, was yesterday in a prison hospital ward recovering from head and chest injuries.

G7 tackles la Revolution

Continued from Page 1

"the world's largest ball," filling the Avenue Richard Lenoir between the Bastille and the Place de la Republique.

Bastille Day itself is more straightforward, with the traditional military march-past in the morning, a garden party at the Elysee Palace in the afternoon, and the spectacular parade devised by Mr Jean-Paul Goude, an advertising specialist with a fertile though controversial imagination.

Mr Goude annoyed many of the French and foreign participants by the stereotyped roles he devised for them - the British marching past under an artificial rain cloud, the Russians carrying an ice rink on their head, the Africans dressed in grass skirts like cannibals around the pot - but his enthusiasm is starting to catch on.

Complicating the whole event, however, is the summit, which officially begins on Friday afternoon and carries on until the final joint communique at 5 pm on Sunday.

The first problem is that Japan and the UK, both members of the Group of Seven, are still monarchies. None of the heads of state invited only for

the bicentennial celebrations has this inconvenience; the monarchies of the European Community are notable by their absence.

The second is the difficulty of combining the summit with the bicentenary itself. Some of Mr Mitterrand's staunchest fans, such as the pop singer Renaud or the race relations campaigner Harlem Desir, were so scandalised by the thought of celebrating the Revolution with a meeting of the seven richest countries in the world that they set up a counter-festival, culminating in a huge free concert at the Bastille on Saturday.

"The Third Estate of today is the Third World," Renaud proclaimed.

"The gibes have hit home. It is said that Mr Mitterrand himself is irritated by the counter-festival and his supporters in the Socialist Party have hit back with a declaration calling on the summit nations to forgive their Third World debts - as many of them have already done, at least for some of the poorest African countries.

But it will be hard to avoid

UK satellite dish sales to rise by end of the year

By Raymond Snoddy in London

MORE THAN 400,000 British homes may have bought their own satellite receiving equipment by Christmas, according to new market research.

The result is encouraging for Mr Rupert Murdoch's Sky Television, but is modest compared with the prediction that the service would be in 1.5m homes by the end of its first year on air - February 1990.

The fourth Financial Times Satellite Monitor by Kennington Research also found that at the end of last month an estimated 118,000 homes in Britain were receiving satellite channels such as Sky Movies, W H Smith's Screen Sport and Mr Robert Maxwell's MTV - an increase of 26,000 over May.

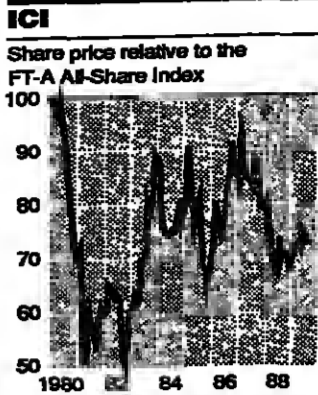
The predicted pre-Christmas surge in demand emerged when those who said they would definitely, or probably, install satellite receiving equipment were asked when they intended to buy. Only half gave a firm reply and of these, nearly 70 per cent said they intended to wait until next year. British Satellite Broadcasting, a consortium in which Pearson, owner of the Financial Times, has a stake, is scheduled to launch its live-cable service in the spring.

The rest said they intended to install before Christmas, most of them in November or December. At face value it would mean 700,000 new installations before Christmas.

The full version of the Financial Times Satellite Monitor can be obtained from the FT Research Department, Financial Times, 1 Southwark Bridge, London SE1 9HL.

Advertising revenue, Page 4

A warning whiff of chemicals



The long-awaited downturn in the chemicals cycle seems finally to have arrived. Industry profitability hit an all-time peak in March and has been heading south ever since. Prices of bulk chemicals are collapsing, with some of the basic plastics down by a third in four months.

The stock market has suddenly woken up to this. ICI has underperformed the London market by 7 per cent in the last 10 days, and continental European bulk chemical producers such as DSM fell sharply throughout last week. The stockbrokers BZW have just cut their forecasts of chemical earnings from Shell - the world's biggest petrochemical producer - by \$150m for this year and \$300m for next.

Since demand for basic chemicals is a good leading indicator for the world economy as a whole, this could have worrying implications. But the puzzle is that demand is still rising - by 4 per cent this year, on some estimates - and plants are still working flat out around the world. And although the industry is engaged in its first orgy of plant building for a full decade, the new capacity is not due until next year.

To an extent, customers must be de-stocking, even if this is not yet showing through in the volume figures. More important, they are forcing prices down on the clear assumption that they have still further to fall. Partly, this will mean that they expect lower demand for their own products. But it also presents a pattern more specific to the chemical industry: when new capacity is due, prices fall six or nine months in advance as producers scramble for the market share to justify their investment.

Perhaps that pattern too has implications for industry as a whole. Chemical producers are overbuilt ferociously in the late 1970s and paid the penalty in 1980. They then systematically underbuilt and by 1987-88 were enjoying the fattest margins the industry has ever seen. Then, of course, they starting building again in time for the next downturn. Even ICI, one of the most prudent of the chemical majors, last week announced its biggest ever new investment, a \$150m plant in Taiwan. As stock market operators know, the time to sell is when the last bear turns bullish.

This has its analogies throughout the corporate sector, still enjoying record profitability and an investment boom. There is no law which says that industry must always be caught facing the wrong

are yielding close to 50 per cent more than Citicorp and J.P. Morgan, and their prospective earnings multiple of less than 5 compares with Citicorp's 6 and Morgan's 9.

Some of the variation has to do with differing earnings outlooks. Keeffe estimates that the average earnings growth of the US banking majors will only slow by a couple of percentage points to 12 per cent this year, whereas the outlook for UK bank profit growth has deteriorated sharply in recent months as the impact of high interest rates on former growth businesses like mortgage lending has taken its toll. The recent news from the TSB has underlined the squeeze on UK retail banking margins, and UK bank earnings will be lucky to grow by 5 per cent this year. Unlike in the US, where bank profits are still growing faster than the market, UK bank profits are growing considerably more slowly and could even decline over the next year or two on the more bearish forecasts.

However, the difference in economic environment is only part of the reason. There are also widely differing perceptions of the impact of the initiatives to solve the Third World debt crisis. As a rule of thumb, US analysts are far more positive than their European counterparts; which is somewhat puzzling, since US banks are generally not as well capitalised as the major UK banks and are often more exposed.

Argentina has not paid any interest for more than two years, its debt arrears are now \$3bn, and US banks have recently been ordered to increase their Argentine write-downs. Rather surprisingly this is unlikely to have an impact on second quarter earnings because most banks are going to deduct the losses from reserves they do not intend to replenish, but with Brazil delaying interest payments and increasing pressure on banks to make further concessions on their Mexican debt, the outlook is far from encouraging.

Next week's first half results from Citicorp and those from Lloyds Bank the week after, will provide important clues to current commercial bank thinking on provisioning. It is no surprise that the Bank of England is reviewing its matrix for calculating appropriate provision levels and a further substantial round of provisioning is looking increasingly likely. This may just be the sort of signal to convince the equity markets that the quality of most bank balance sheets has improved immeasurably since the start of the debt crisis seven years ago.

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